BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

FILED
04-05-10
04:59 PM

In the Matter of the Application of Southern California Gas Company to Establish Regulatory Authority Over the Access for Natural Gas Provided by California Gas Producers	A.04-08-018 (Filed August 16, 2004)

REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON THE PROPOSED DECISION

JOHNNY J. PONG

Attorney for
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, CA 90013-1034
Telephone: (213) 244-2990
Facsimile: (213) 629-9620
Email: jpong@sempra.com

April 5, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company to Establish Regulatory Authority Over the Access for Natural Gas Provided by California Gas Producers	A.04-08-018 (Filed August 16, 2004)

REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON THE PROPOSED DECISION

Pursuant to Rule 14.3(d) of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, Southern California Gas Company ("SoCalGas") hereby submits its Reply Comments on the Proposed Decision ("PD") specifically addressing the opening comments filed by the Indicated Producers ("IP").

I. INTRODUCTION

In presenting his renewed vision during the Commission's regular business meeting held on January 29, 2009, President Peevey stated:

> **Last year's Chatsworth accident reminded all of us that safety doesn't just happen; it needs constant attention. Technologies, safety rules, operating procedures can all contribute, and our rail and rail transit staff are out there enforcing the existing rules and helping to design improvements that will bring this sector into the 21st century.**

President Peevey's message was clear: the Commission should promote the vigilant enforcement of technologies, safety rules, and operating procedures to avoid future accidents. SoCalGas urges the Commission to promote this vision across all of its regulated sectors, and not assign natural gas an inferior standard for safety by reducing the current safety protections already in place on SoCalGas' transmission system. The PD's one hour protocol, as well as IP's new two hour protocol proposal, is inferior to the level of protection that exists today. It takes one accident to undermine the wisdom of adopting a more lax protocol.

II. CUSTOMER SAFETY IS THE CENTRAL ISSUE

This proceeding is about the safety of end-use customers who receive out-of-compliance gas delivered into the SoCalGas system by California ("CA") producers. In weighing the evidence, the PD has asked an erroneous question that is inconsistent with the Commission's attention to safety as plainly articulated by President Peevey. The PD essentially asks:

> **How much non-compliant CA producer gas are we willing to allow into SoCalGas' gas pipeline system to balance customer safety with the goal of increasing natural gas production?**

The question the Commission should ask is:

> **Why would we, as the governing state agency in charge of overseeing the safety of utility customers, ever consider relaxing the vigilant enforcement of gas quality specifications that we previously adopted to protect customers from the dangers of non-compliant CA producer gas?**

The Commission now has evidence showing that: (1) blending of CA producer gas does not always occur, (2) CA producers provided no credible evidence that the state's production of natural gas has been limited by SoCalGas' currently employed monitoring and enforcement protocols, and (3) CA producers are obligated under contract or Tariff Rule 30 to deliver compliant gas at the time of delivery. The complete record therefore leads to only one conclusion:

> **Vigilant monitoring and enforcement of CA producer gas should continue on behalf of ALL SoCalGas customers. Customer safety should not be compromised. CA producers should be held accountable for the quality of their gas, which reaches thousands of customers.**[1]

III. IP'S TWO HOUR PROTOCOL SHOULD BE REJECTED

In opening comments, IP proposes for the first time in this proceeding to have a two hour monitoring and enforcement protocol.[2] This tactic only reinforces SoCalGas' argument that without vigilant monitoring and enforcement of their gas quality, CA producers will seek any

---

[1] Given the concentration of the majority of CA production in the North Coastal and San Joaquin Valley areas, where dilution of their potentially polluted gas with other compliant sources cannot be guaranteed, even greater numbers of customers would be unnecessarily put at risk if the Commission were to mistakenly assume that dilution is the solution to CA producer pollution.

[2] See Opening Comments of the Indicated Producers, pp. 5-8.

means to avoid meeting their contractual and Tariff Rule 30 gas quality obligations at the time of delivery. Furthermore, the way IP attempts to describe how a two hour protocol would work clearly shows that it wouldn't take much for non-compliant CA producer gas to continually flow into the SoCalGas system on an uninterrupted basis. To compound this danger, a two hour protocol would allow the entry of a slug of non-compliant gas potentially twice the size of what could enter under the PD's one hour protocol, further increasing safety risk.

IP asks that the PD be changed to eliminate SoCalGas' ability to use its operating judgment to implement tighter protocols, yet allow SoCalGas to continue to use its operational judgment to not strictly monitor those CA producers that are not currently on a GC.[3] This cherry-picking plainly displays IP's disregard for customer safety, as IP is simply bartering for additional time beyond what the PD would consider safe. Therefore, IP's two hour proposal should be rejected as unfounded and unsupported by any record evidence.

IV. A ONE HOUR PROTOCOL REDUCES CUSTOMER SAFETY PROTECTIONS ALREADY IN PLACE

SoCalGas' opening comments explained why the one hour protocol cannot be presumed safe, (1) given the absence of guaranteed blending of CA producer gas, (2) the way in which a slug of contaminated gas would move through the SoCalGas system under a one hour protocol, and (3) how even a 12-minute flow of CA producer gas containing excessive levels of carbon dioxide can cause a safety incident. Adoption of a one hour protocol represents a complete overhaul of SoCalGas' currently employed protocols, which have proven to be effective, and have not impacted the state's production of natural gas. Such an overhaul is completely unnecessary and unwarranted. It is contrary to both Public Utilities Code §785 and the provisions of Tariff Rule 30, and achieves nothing more than a reduction in the safety measures that are currently in place and working.

[3] See Id. at 9-11.

The PD seems intent on narrowly construing the record evidence that blending does not always occur on the SoCalGas system, instead of using the evidence to adopt the safest protocols for all customers on a system-wide basis. The PD finds that SoCalGas met its burden of proof, but then asserts insufficient evidence to justify a 4-8 minute interval. In complete contradiction, the PD then derives and adopts a one hour interval based on absolutely no record evidence that a one hour interval is safe. At no point in this proceeding prior to the publication of the PD on March 8, 2010 had a one hour protocol even been advocated for on the record, much less fully vetted and litigated.

Instead of sending mixed messages, the Commission should send a clear and consistent message: natural gas safety doesn't just happen. Technologies, safety rules, and operating procedures should all contribute to make the natural gas system as safe as possible and, in the absence of blending, as free as possible of non-compliant gas, not more permissive of non-compliant gas. When it comes to the delivery of potentially harmful CA producer gas to end-use customers, wherever they may be located along the SoCalGas system, this Commission should err on the side of more safety, not less.

V. MAINTAIN THE STATUS QUO

Right now, under SoCalGas' current protocols over its entire system,[4] CA producers have an incentive to deliver compliant gas. Thirty-three of 43 CA producer interconnects currently have GCs, and for the ten or so CA producers that have been willing and able to consistently meet gas quality specifications, SoCalGas continues to monitor their gas quality until they demonstrate a compliance failure under an objectively-applied test.[5] Thus, while SoCalGas has operational management over its system, the level of monitoring and enforcement of gas quality specifications is ultimately driven by CA producers, not SoCalGas. "The test frequency depends on the potential

[4] While throughout the course of this proceeding, the "4-8 minute" protocol was used to generally describe the "strict" monitoring and enforcement of CA producer gas, the record establishes that in certain situations, even stricter monitoring and enforcement have been employed where needed. See Exhibit 1, p. 6 and Exhibit 50, p. 13.
[5] See Exhibit 1, p. 5.

for problem concentrations, which are influenced by producer gas process changes, source or raw gas quality changes, and historical gas quality problems."[6]

The status quo is working. There is no reason to change it, and absolutely no public or ratepayer benefits to gain by allowing more non-compliant gas into the system.

VI. CONCLUSION

Therefore, SoCalGas respectfully requests that the Commission give no weight to IP's new proposal, and instead maintain the status quo on SoCalGas' transmission system.

Respectfully submitted,

By: *_____/s/ Johnny J. Pong_____*

JOHNNY J. PONG

Attorney for
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, CA 90013-1034
Telephone: (213) 244-2990
Facsimile: (213) 629-9620
Email: jpong@sempra.com

April 5, 2010

[6] Id. at 2.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing **REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON THE PROPOSED DECISION** on all known interested parties of record in A.04-08-018 via email to those with an email address, first class mail to those whose email address is not available, and by overnight mail to Administrative Law Judge Wong and Commissioner Peevey.

Executed this 5th day of April, 2010, at Los Angeles, California.

/s/ Rose Mary Nava
Rose Mary Nava

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service List - Proceeding: A.04-08-018 - Last changed: March 25, 2010

douglas.w.rasch@exxonmobil.com; jpong@sempra.com; npedersen@hanmor.com; wtobin@sempraglobal.com; jleslie@luce.com; ek@a-klaw.com; map@cpuc.ca.gov; j1pc@pge.com; epoole@adplaw.com; pvillegas@semprautilities.com; robert.pettinato@ladwp.com; ghealy@semprautilities.com; JLsalazar@semprautilities.com; centralfiles@semprautilities.com; bmusich@semprautilities.com; sendo@ci.pasadena.ca.us; slins@ci.glendale.ca.us; bjeider@ci.burbank.ca.us; mkay@aqmd.gov; Case.Admin@sce.com; gloria.ing@sce.com; Michael.Alexander@sce.com; liddell@energyattorney.com; ekgrubaugh@iid.com; bruce.foster@sce.com; marcel@turn.org; filings@a-klaw.com; sls@a-klaw.com; ceyap@earthlink.net; mrw@mrwassoc.com; creheis@wspa.org; sas@a-klaw.com; wmc@a-klaw.com; loe@cpuc.ca.gov; fcc@cpuc.ca.gov; jnm@cpuc.ca.gov; jsw@cpuc.ca.gov; wmp@cpuc.ca.gov; ldecarlo@energy.state.ca.us; rmnava@sempra.com;

Dave Maul
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street, MS-48
Sacramento, CA 95814

Gary Hinners
RRI ENERGY, INC.
PO Box 148
Houston, TX 77001-0148