

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
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## TO PARTIES OF RECORD IN APPLICATION 11-09-004:

This is the proposed decision of Administrative Law Judge (ALJ) John S. Wong. This item is targeted to appear on Agenda No. 3321 for the Commission's September 5, 2013 Business Meeting, but may appear on a later agenda. Interested persons may monitor the Business Meeting agendas, which are posted on the Commission's website 10 days before each Business Meeting, for notice of when this item may be heard. The Commission may act on the item at that time, or it may hold an item to a later agenda.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. The current service list for this proceeding is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

/s/ KAREN V. CLOPTON  
Karen V. Clopton, Chief  
Administrative Law Judge

KVC:gd2

Attachment

Decision PROPOSED DECISION OF ALJ WONG (Mailed 7/22/2013)

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

In the Matter of the Application of  
Southern California Gas Company (U904G)  
For Approval to Retain Its Current Rule 30  
Gas Delivery Specifications.

Application 11-09-004  
(Filed September 2, 2011)

**DECISION ADDRESSING THE RULE 30 GAS DELIVERY  
SPECIFICATIONS FOR SOUTHERN CALIFORNIA GAS COMPANY****1. Summary**

Today's decision addresses the request of Southern California Gas Company (SoCalGas) in its application to retain the company's current natural gas delivery specifications that are contained in Rule 30 of its tariffs, and to eliminate the exemption in Rule 30 for Historical California Production of natural gas when contractually permitted.<sup>1</sup>

As discussed below, we conclude that SoCalGas' Rule 30 for heating value, carbon dioxide, oxygen, and inerts shall remain unchanged. SoCalGas is authorized to modify Rule 30 to eliminate the Historical California Production exemption for natural gas produced in California when contractually permitted.

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<sup>1</sup> The term "Historical California Production is defined in SoCalGas' Rule 30, as described later in this decision.

**2. Background**

Southern California Gas Company (SoCalGas) filed its application on September 2, 2011 in response to the directive in Decision (D.) 10-09-001 that an application be filed concerning the non-hydrogen sulfide limits set forth in Section I of SoCalGas' Rule 30. Timely responses to the application were filed by Exxon Mobil Corporation (Exxon Mobil) and by the Indicated Producers.<sup>2</sup>

The Administrative Law Judge (ALJ) issued a ruling on October 20, 2011 stating that based on a review of SoCalGas' application and the supporting testimony, and the responses of the parties, there did not appear to be any contested issues in this proceeding.<sup>3</sup> The ruling proposed that since none of the responding parties requested that a prehearing conference (PHC) be held, that no PHC should be held and a proposed decision be prepared based on SoCalGas' application and testimony, and the October 12, 2011 responses of Exxon Mobil and the Indicated Producers. The October 20, 2011 ruling allowed the parties time to object to this proposed process. No objections to the ALJ's proposed process for resolving this application were filed.

On March 13, 2013, the assigned Commissioner and ALJ issued a Scoping Memo and Ruling (Scoping Memo) in this proceeding. In that Scoping Memo, the parties were invited to comment on the following three issues:

1. Whether SoCalGas' carbon dioxide limit in Rule 30 should be changed to become more restrictive, that is, reducing the current specification of less than or equal to 3%, to 2%.

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<sup>2</sup> Members of the Indicated Producers include Aera Energy LLC, Chevron U.S.A. Inc., and Occidental of Elk Hills, Inc.

<sup>3</sup> SoCalGas' application is supported by the testimony of Charles Benson, Hugo Mejia, and Oliver Moghissi.

2. Whether the volume of natural gas from gas producers, who have been “grandfathered” in their contracts (Historical California Production) from meeting the current SoCalGas’ Rule 30 gas specifications, pose any safety hazard because of the amount of out-of-compliance gas that is entering SoCalGas’ system.
3. Whether this proceeding should proceed based on the record before us, or wait until the biomethane constituent concentrations that are being considered in Rulemaking (R.) 13-02-008 are resolved, and then incorporated into a decision in this proceeding.

The Scoping Memo also asked the parties to comment on whether evidentiary hearings (EH) were needed on any of these issues, and whether additional prepared testimony was needed. Comments in response to the Scoping Memo were filed by SoCalGas and the Indicated Producers.

No one objected to the ALJ’s proposed process for handling this application, as specified in the October 20, 2011 ALJ Ruling, and no one requested EH or the need for additional testimony in response to the Scoping Memo. Accordingly, today’s decision addresses the relief sought by SoCalGas in its application based on the prepared testimony that was served on the parties by SoCalGas, the responses to the application, and the comments in response to the Scoping Memo.

### **3. SoCalGas’ Application**

#### **3.1. Background**

For natural gas entering the SoCalGas system, the gas must meet the gas quality specifications set forth in Section I of SoCalGas’ Rule 30. The gas quality specifications ensure that different gases act similarly in combustion equipment, so as to ensure the safety and performance of gas-fired appliances and

combustion equipment, and to protect the pipeline system, customers, employees, and the general public.

The gas quality specifications in SoCalGas' Rule 30 cover two types of specifications: (1) gas constituent limits, which are made up of composition-based specifications; and (2) gas interchangeability specifications, which are made up of performance-based quality specifications.

The gas constituent limits in Rule 30 restrict the concentration of gas impurities such as hydrogen sulfide, mercaptan sulfur, total sulfur, carbon dioxide, oxygen, and inerts. According to SoCalGas, the limits on gas impurities protect pipeline integrity and ensure safe and proper combustion in end-user equipment.

The gas interchangeability specifications are designed to predict the ability of one gaseous fuel to substitute for another, and to ensure that the gas combusts safely and properly in the end-user's appliance or equipment. The gas interchangeability specifications are composed of the Wobbe Index, Lifting Index, Flashback Index, and the Yellow Tip Index.

The combination of the Rule 30 gas constituent limits and gas interchangeability specifications help protect SoCalGas' customers, employees, and the pipeline system.

In Ordering Paragraph 4 of D.10-09-001, the Commission ordered that:

SoCalGas shall file an application within one year from the effective date of this decision to determine whether any of the current non-hydrogen sulfide limits set forth in the 'Gas Delivery Specifications' in section I of SoCalGas' Rule 30 should be changed and whether these current non-hydrogen sulfide limits are too restrictive or redundant in light of the current Rule 30 Wobbe specification and Lifting Index.

The Commission ordered the filing of an application because the testimony sponsored by the gas producers in D.10-09-001 suggested that gas supplies which adhere to the Rule 30 Wobbe specification and the Lifting Index may alleviate safety concerns with flame lifting, excessive yellow-tipping, the build-up of soot, and the formation of carbon monoxide, and therefore the current non-hydrogen sulfide specifications in Rule 30 might be too restrictive. (See D.10-09-001, §3.4 at 28-30.) Only the non-hydrogen sulfide gas constituent limits are being revisited in this decision.<sup>4</sup>

The application before us responds to the directive in D.10-09-001, and addresses the results of SoCalGas' research and appliance testing. This research and testing was done to determine whether any of the current non-hydrogen sulfide limits set forth in Rule 30 should be changed, and whether these current non-hydrogen sulfide limits are too restrictive or redundant in light of the current Rule 30 Wobbe specification and Lifting Index.

### **3.2. Should the Non-Hydrogen Sulfide Limits in Rule 30 be Changed?**

#### **3.2.1. Introduction**

The non-hydrogen sulfide gas constituent limits in Rule 30 are important because they affect the combustion that takes place in customer end-use equipment. As the Commission stated in D.10-09-001, "concentrations of [non-hydrogen sulfide] constituents can affect the performance of the appliance, and lead to the formation of carbon monoxide." (D.10-09-011 at 5.) In addition,

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<sup>4</sup> In D.10-09-001, the Commission stated that it does not "plan in this new application to change the current Rule 30 Wobbe specification, or the current Rule 30 specifications for the Lifting Index, Flashback Index, and Yellow Tip Index." (D.10-09-001 at 29.)

these non-hydrogen sulfide limits restrict the amount of impurities in the gas, which can cause pipeline corrosion and pipeline operation issues.

The non-hydrogen sulfide constituents at issue in this proceeding cover carbon dioxide, oxygen, total inerts, and heating value.<sup>5</sup> (See D.10-09-001, Footnote 13 at 29.) The limits for these constituents are set forth in Section I.3 of SoCalGas' Rule 30. The limit on carbon dioxide is less than or equal to 3% by volume. The limit on oxygen is less than or equal to 0.2% by volume. The limit on inerts is less than or equal to 4% total inerts (the total combined carbon dioxide, nitrogen, oxygen, and any other inert compound) by volume. The minimum heating value is 990 British thermal unit (Btu) per standard cubic foot on a dry basis, and the maximum heating value is limited to 1150 Btu per standard cubic foot on a dry basis.

To fulfill the Commission's directive in D.10-09-011, SoCalGas conducted research and testing of end-user equipment to evaluate the effectiveness of the Rule 30 gas specifications and the Historical California Production gas delivery specifications. This testing, which is summarized in the testimony of the SoCalGas Witness, Charles Benson, involved evaluating the performance of varying natural gas compositions in commonly used residential, commercial, and industrial combustion equipment.

The testing was performed by SoCalGas' Engineering Analysis Center using industry-standard protocol and calibrated instruments. The testing assessed the impacts of carbon dioxide, total inerts, heating value, and Wobbe Index limits on equipment performance. In addition, the testing

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<sup>5</sup> SoCalGas points out that heating value is not a non-hydrogen sulfide constituent or a gas constituent, but rather is a gas property.

monitored for flame lifting, flashback, yellow tipping, excessive carbon monoxide emissions, soot build-up, unacceptable operations, and overall safety concerns.

Independent appliance testing of a residential water heater and warm air furnace was also performed by Benson's firm. These tests assessed performance problems resulting from increasing and decreasing the Wobbe Index.

According to SoCalGas, the tests documented numerous examples of unacceptable appliance operations associated with Historical California Production exceeding the carbon dioxide, heating value, and total inerts limits. SoCalGas documented flame lifting, yellow tipping, and flashback potential when using gas that did not comply with the gas constituent limits in Rule 30. In addition, SoCalGas identified food safety concerns and excessive carbon monoxide emissions when using gas that exceeded the Rule 30 carbon dioxide limits, or did not comply with the Rule 30 Wobbe limit but was within the Historical California Production Wobbe range of 1199 to 1465.

Based on the testing, SoCalGas recommends that the Commission retain the current Rule 30 non-hydrogen sulfide limits. SoCalGas contends that the Rule 30 limits on carbon dioxide, oxygen, total inerts, and heating value protects its customers, employees, the public, and the safety and integrity of SoCalGas' pipeline system. SoCalGas also contends that these limits are consistent with, and are not more restrictive than, industry standards.

### **3.2.2. Carbon Dioxide**

Regarding the carbon dioxide limit of less than or equal to 3%, SoCalGas contends that retaining this specification will do the following: (1) help limit safety and performance issues associated with improper combustion; (2) help mitigate pipeline corrosion risk; and (3) is consistent with industry standards.

SoCalGas' testimony notes that when carbon dioxide levels exceed the 3% limit in Rule 30, flame lifting occurs. When this occurs, this can delay ignition or cause a failure to ignite. Delayed ignition can cause the flame to temporarily flash outside of the appliance enclosure and ignite nearby flammable materials. Flame lifting can also result in elevated carbon monoxide emissions.

SoCalGas' testimony also points out that the presence of carbon dioxide in pipelines creates a corrosive environment when water is present. The limit on carbon dioxide becomes even more important because of SoCalGas' proposed pressure testing of its pipeline system with water.<sup>6</sup> Although SoCalGas' testimony notes that corrosion can occur with a 2% limit on carbon dioxide, SoCalGas is not advocating a reduction in the carbon dioxide limit from 3% to 2% at this time.

SoCalGas' testimony also presented data that its 3% carbon dioxide limit is consistent with, or more generous, than industry standards. The Kern River Gas Transmission Company's (Kern River) pipeline limit for carbon dioxide is the same as SoCalGas, and is more generous than the Ruby pipeline limit of 2% and Pacific Gas and Electric Company's 1% limit. A gas quality survey done in 2003 found that the median allowable carbon dioxide limit was 2%, and the range was 1% to 5%. Another study found that a carbon dioxide limit of 3% to 4% is representative of pipelines in the United States.

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<sup>6</sup> SoCalGas' proposed pressure testing is described in its August 26, 2011 Pipeline Safety Enhancement Plan filing in Rulemaking 11-02-019.

In its comments of March 29, 2013, SoCalGas responded to the Scoping Memo's question about whether SoCalGas' carbon dioxide limit in Rule 30 should become more restrictive by reducing the current specification of less than or equal to 3% to 2%. SoCalGas stated the following in its March 29, 2013 comments:

Although SoCalGas does support reducing the [carbon dioxide] limit to something more restrictive than the current 3%, SoCalGas has not proposed, at this time, to alter the current limits contained in its Tariff Rule 30. The [carbon dioxide] limit of 3%, in combination with SoCalGas' ability to monitor and enforce California producer gas for [carbon dioxide], through the use of gas chromatographs, and where needed, instantaneous [carbon dioxide] analyzers, have been effective to date. (SoCalGas March 29, 2013 Comments at 3.)

SoCalGas also commented that if it "is prevented from exercising these additional safeguards (such as instantaneous [carbon dioxide] analyzers) to protect its customers and to ensure that California producer gas meets Rule 30 specifications at the time of delivery, then SoCalGas would have greater concern over its ability to manage its system under the 3% [carbon dioxide] limits set forth in Rule 30 and would support lowering that level." (SoCalGas March 29, 2013 Comments at 4.) SoCalGas also expressed concern with the language in then draft Resolution G-3464, which specified that compliance shall be at the 4-to-8 minute monitoring interval. SoCalGas commented that although the 4-to-8 minute gas chromatograph may be effective for the majority of California producer interconnects, it needs "the ability to exercise additional safety measures where needed," such as installing an instantaneous carbon dioxide analyzer. (*Ibid.*) Resolution G-3464, which was adopted by the Commission on

April 4, 2013, did not adopt SoCalGas' position to lower the monitoring interval to below 4 minutes.

The Indicated Producers stated in its March 29, 2013 comments that the carbon dioxide specification should not be modified due to four reasons. First, the Indicated Producers stated that the specification should not be changed in this proceeding because the only parties to this proceeding are SoCalGas and the California producers. Second, the Indicated Producers contend that "from a California producer perspective, there is no justifiable reason for a more stringent standard for California producers than for the much larger volumes of natural gas coming from the interstate pipelines." (Indicated Producers March 29, 2013 Comments at 3-4.) Third, the Indicated Producers contend that the testimony provided by SoCalGas supports the current Rule 30 specifications. Fourth, the Indicated Producers point out that "while other utilities' specifications may differ from SoCalGas' specifications, each utility and gas supply mix is different," and that the upstream federally regulated pipeline of Kern River has a carbon dioxide limit of 3%.

We agree with the Indicated Producers that the carbon dioxide limits in SoCalGas' Rule 30 should not be changed in this proceeding to a more restrictive limit. Although lowering the carbon dioxide limit to 2% may reduce the corrosion risk in the pipeline system, SoCalGas is not requesting to lower the carbon dioxide limit to 2% at this time. Both SoCalGas and the Indicated Producers point out that the large volumes of gas that come into California over the Kern River pipeline are subject to Kern River's carbon dioxide limit of 3%. To lower the carbon dioxide limit from 3% to 2% will require large volumes of gas from upstream interstate pipelines, such as the Kern River pipeline, to meet the more restrictive limit. Yet, the testing that SoCalGas has performed

demonstrates that a carbon dioxide limit of 3% or less will not cause flame lifting, and the use of gas chromatographs on a 4-to-8 minute monitoring interval will allow SoCalGas to shut off the entry of non-compliant gas into its pipeline system. For all of those reasons, we will not change the current carbon dioxide limit in SoCalGas' Rule 30 to make it more restrictive.

### **3.2.3. Oxygen, Total Inerts, and Heating Value**

With regard to the Rule 30 oxygen limit of equal to or less than 0.2%, SoCalGas contends that the retention of this specification does the following: (1) addresses the risk of pipeline corrosion; and (2) is not more restrictive than industry standards. According to SoCalGas, small amounts of oxygen can lead to the corrosion of steel pipelines, and reduces the effectiveness of corrosion inhibitors.

SoCalGas also points out that its oxygen limit of 0.2% is the same as some other pipelines, and is more lenient than some other pipelines' oxygen limits. Although SoCalGas is not requesting a stricter limit on oxygen at this time, SoCalGas contends that its industry research findings suggest that a 0.001% oxygen limit be adopted as soon as practicable.

Concerning the total inerts limit of 4% in Rule 30, SoCalGas contends that the retention of such a limit does the following: (1) helps to maintain the safe and proper operation of end-use equipment by minimizing flame lifting, flame outs, and reducing excessive carbon monoxide emissions; and (2) is consistent with industry standards in which a range of 3% to 4% total inerts is representative. In addition, since inert gases have no associated heating value, as the concentration of inert compounds increase, the total energy per unit volume of gas increases which reduces the heating value and increases the specific

gravity of the gas. This in turn reduces the Wobbe Index number and affects other interchangeability indices.

With regard to the retention of the Rule 30 heating value limit of 990 to 1150 Btu per cubic foot, SoCalGas points out that this is consistent with the limits for numerous other pipelines in the industry.

All of the testing performed on behalf of SoCalGas indicates that the non-hydrogen sulfide limits contained in Rule 30 provide assurances that the gas entering the SoCalGas pipeline system will be safe to use in end-users' appliances and equipment, and will minimize the introduction of corrosive constituents into the pipeline system. The evidence presented suggests that the current Rule 30 limits for non-hydrogen sulfide constituents should be retained, and that safeguards are in place to prevent non-compliant constituents from entering the pipeline in large volumes. However, before we reach that conclusion, D.10-09-011 directs us to undertake a second analysis, as discussed in Section 3.3 below.

### **3.3. Are the Current Non-Hydrogen Sulfide Limits too Restrictive or Redundant in Light of the Current Rule 30 Wobbe Index and Lifting Index?**

In D.10-09-011, the Commission posed the question as to whether the current non-hydrogen sulfide limits are too restrictive or redundant in light of the current Rule 30 Wobbe Index specification and Lifting Index. The Wobbe Index is part of the gas interchangeability specifications set forth in Rule 30. The Rule 30 Wobbe Index specification provides that the gas must meet a Wobbe

Index of 1279 to 1385.<sup>7</sup> Rule 30 also sets forth the gas interchangeability specifications for the lifting index. The lifting index is set at equal to or less than 1.06. The Wobbe Index, together with the other interchangeability specifications, is used to assess end-user combustion performance issues.

The question that needs to be answered is whether the current Wobbe Index specification and lifting index should result in a more relaxed limit for non-hydrogen sulfide constituents.

SoCalGas contends that impurities in natural gas are not adequately accounted for in performance standards, such as the gas interchangeability specifications for the Wobbe Index and the lifting index. For that reason, and because inerts, carbon dioxide, oxygen, and water vapor all affect pipeline integrity and safety, SoCalGas recommends that the Rule 30 limits on non-hydrogen sulfide constituents be retained so as to restrict the amount of impurities received in delivered gas, and to prevent corrosion.

The tests performed by SoCalGas demonstrate that flame lifting and excessive carbon monoxide can occur if the carbon dioxide limit is not met, even though the Rule 30 lifting index limit and the Wobbe Index are satisfied. In addition, SoCalGas' testimony provides support that the risk of internal corrosion increases when the concentration of carbon dioxide is increased. Similarly, the corrosion risk increases when the concentration of oxygen is

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<sup>7</sup> SoCalGas witness Benson describes the Wobbe number at 5 of his testimony as follows: "The Wobbe number has been broadly accepted as one of the key indices of natural gas interchangeability. It is representative of the fuel energy input rate (e.g., Btu/hr) to combustion equipment when the gas supply pressure is held constant (as is typical of residential appliances). Any two gas mixtures having identical Wobbe numbers will deliver about the same energy input rate."

increased. SoCalGas also points out that having gas constituent limits, in tandem with multiple interchangeability indices, is standard in the industry, and help to protect the safety of customers and the pipeline system.

In its response to the application, the Indicated Producers stated that it does not object to SoCalGas' proposal to retain the current Rule 30 specifications.

Since the testing performed by SoCalGas indicates that problems can occur if the gas constituent specifications are not met, even though the Wobbe Index and lifting index are met, and because the Indicated Producers do not object to the retention of the current Rule 30 specifications, the gas constituent specifications in SoCalGas' Rule 30 for heating value, carbon dioxide, oxygen, and inerts should remain unchanged.

#### **3.4. Historical California Production**

Currently, Historical California Production is exempt from the gas quality specifications set forth in section I.3. of SoCalGas' Rule 30. Section I.5 of Rule 30 provides:

A generic deviation from the minimum gas quality specifications set forth in Paragraph I.3 is granted for 'Historical California Production.' Quality specifications for Historical California Production will be governed by SoCalGas Rule No. 30 in effect as of September 21, 2006, or, to the extent that production had a deviation in place at that time, pursuant to the agreement governing that deviation. 'Historical California Production' is defined as follows: Onshore or offshore California-produced natural gas delivered at points of interconnection existing as of January 1, 2006, up to the maximum historical deliveries or Maximum Daily Volume effective on that date as specified in any agreement permitting supply delivery at those points. If a producer moves its deliveries of Historical California Production from a point of interconnection existing as of January 1, 2006, to another existing or a new point on the

system, or if one or more producers consolidate two or more existing points of interconnection existing as of January 1, 2006, to another existing or a new point on the system, the deviation granted under this provision will follow the Historical California Production provided that (a) the Utility has required or approved the change in receipt point location and (b) the continuing deviation shall not exceed the Maximum Daily Volume stated in the access agreement(s) governing deliveries at the producer's original point of interconnection and (c) specifically, the quality of the gas should not lessen to the point that it falls outside the grandfathered Rule No. 30 specifications.

The Historical California Production is governed either by SoCalGas' Rule 30 that was in effect as of September 21, 2006, or by agreement. Thus, for Historical California Production, the Wobbe Index limit is plus or minus 10% or 1199 to 1465, assuming 1332 is the adjustment gas.

SoCalGas contends that the Historical California Production exemption is incompatible with SoCalGas' pipeline safety goals and requirements because the Wobbe Index that applies to Historical California Production creates unacceptable and unnecessary risks for flame lifting, yellow tipping, food safety, and excessive carbon monoxide emission risks. To protect customers, employees, the pipeline system, and the public, SoCalGas recommends that when contractually permissible, all Historical California Production should meet the current gas quality specifications set forth in section I.3 of SoCalGas' Rule 30.

The Indicated Producers stated in its response to SoCalGas' application that it does not object to SoCalGas' proposal to eliminate the exemption for Historical California Production.

Exxon Mobil stated in its response that its "gas deliveries to the SoCalGas system conform to the gas quality specifications that are provided in applicable agreements and contracts in place between Exxon Mobil (and its predecessors) and SoCalGas, in accordance with SoCalGas Tariff Rule 30(I)(1)." Since SoCalGas' application does not seek to modify Exxon Mobil's existing agreements with SoCalGas, Exxon Mobil does not appear to be opposed to SoCalGas' proposal to eliminate the Historical California Production exemption when contractually permitted.

Regarding the question in the scoping memo of whether gas producers who have been grandfathered in their contracts from meeting SoCalGas' current Rule 30 gas specifications will pose any safety hazard, SoCalGas contends that no party has introduced any evidence opposing SoCalGas' request that, where contractually permissible, the Commission should eliminate the grandfathering exemption. Since no one opposed this request, SoCalGas contends that the Commission should approve SoCalGas' request that all historical California production, when contractually permissible, should meet all Rule 30 gas specifications, including the current Wobbe specification.

The Indicated Producers contend that the operations of its members are all subject to the Rule 30 gas specifications, and that its member's "facilities are treated with no less stringency than receipts from interstate pipelines."

(Indicated Producers March 29, 2013 Comments at 4.) As a result, the Indicated Producers state that the gas from its members does not pose any safety hazard.

Although SoCalGas' testimony states that the Wobbe number that applies to the Historical California Production exemption (1199-1465) "creates an unacceptable and unnecessary flame lifting, yellow tipping, food safety, and excessive carbon monoxide emission risks,"<sup>8</sup> there is no evidence to demonstrate that the gas volumes that come from these grandfathered sources are of a sufficient volume to pose a safety hazard to SoCalGas' pipeline system. Aside from SoCalGas' request that the Historical California Production be eliminated when contractually permissible, SoCalGas has not proposed that more aggressive steps be taken to prevent the entry of Historical California Production gas onto SoCalGas' pipeline system. In addition, Exxon Mobil and the Indicated Producers commented that all of the gas that they provide is in accordance with their applicable agreements and contracts that are in place, and comply with SoCalGas' Rule 30. For all of those reasons, we should only approve SoCalGas' request that it be allowed to eliminate the Historical California Production exemption with a California gas producer when it is contractually permitted to do so. SoCalGas should be allowed to file a Tier 2 Advice Letter within 60 days to modify Section I.5 of SoCalGas' Rule 30 to permit the elimination of the Historical California Production exemption when contractually permitted. Taking additional steps to prevent the entry of Historical California Production gas onto SoCalGas' pipeline system is not justified at this time based on the record before us.

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<sup>8</sup> SoCalGas testimony of Hugo Mejia at 7.

**3.5. Issues in the Biomethane Proceeding**

The scoping memo requested parties to comment on whether the issues in this proceeding should be addressed separately, or whether this proceeding should wait until the biomethane constituent concerns being considered in R.13-02-008 are resolved and then incorporated into a decision in this proceeding. In their comments, both SoCalGas and the Indicated Producers opposed having the issues in this proceeding considered with the issues in the biomethane proceeding. Since the issues in R.13-02-008 focus on the constituents found in biomethane that could pose a risk to human health, and do not have a bearing on the issues in this proceeding, we agree with SoCalGas and the Indicated Producers that the issues in this proceeding should be addressed in this proceeding, rather than being tied to or await the outcome of the issues being addressed in R.13-02-008.

**4. Categorization and Need for Hearings**

Resolution ALJ 176-3281 preliminary categorized this application as Ratesetting and that hearings were needed. The scoping memo affirmed the categorization of this proceeding, and determined that no EH were needed at the time. Since none of the parties have requested EH, we affirm that EH are not necessary in this proceeding.

**5. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

**6. Assignment of Proceeding**

Mark J. Ferron is the assigned Commissioner and John S. Wong is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. For natural gas entering the SoCalGas system, the gas must meet the gas quality specifications set forth in section I of SoCalGas' Rule 30.
2. Rule 30 contains gas constituent limits which restrict the concentration of gas impurities, and gas interchangeability specifications which are designed to predict the ability of one gaseous fuel to substitute for another and to ensure that the gas will combust safely and properly in the end-user's appliance or equipment.
3. SoCalGas' application responds to the directive in D.10-09-001, and addresses the results of SoCalGas' research and appliance testing.
4. The non-hydrogen sulfide constituents at issue in this proceeding cover carbon dioxide, oxygen, total inerts, and heating value.
5. The tests performed by SoCalGas documented flame lifting, yellow tipping, flashback potential, food safety concerns, and excessive carbon monoxide emissions when the gas did not comply with the gas constituent limits in Rule 30, or when the gas did not comply with the Rule 30 Wobbe Index limit but was within the Historical California Production Wobbe Index range of 1199 to 1465.
6. The non-hydrogen sulfide limits contained in Rule 30 are consistent with the limits used by some other pipelines and with industry standards.
7. SoCalGas is not requesting at this time to lower the carbon dioxide limit to 2%.

8. If the carbon dioxide limit was lowered from 3% to 2%, the large volumes of gas from upstream interstate pipelines would have to meet this more restrictive carbon dioxide limit.

9. The testing performed on behalf of SoCalGas indicates that the non-hydrogen sulfide limits in Rule 30 provide assurances that the gas entering the SoCalGas pipeline system will be safe to use in end-users' appliances and equipment, and will minimize the introduction of corrosive constituents into the pipeline system.

10. SoCalGas' testing and research demonstrates that flame lifting, excessive carbon monoxide, and the risk of internal corrosion increases when the concentration of carbon dioxide is increased, and when the concentration of oxygen is increased.

11. Having gas constituent limits and multiple gas interchangeability indices are standard in the industry, and help to protect the safety of customers and the pipeline system.

12. Section I.5. of SoCalGas' Rule 30 exempts Historical California Production from the gas quality specifications set forth in section I.3 of Rule 30.

13. Historical California production is governed either by SoCalGas' Rule 30 that was in effect as of September 21, 2006, or by agreement.

14. The California gas producers who filed responses to SoCalGas' application do not appear to be opposed to SoCalGas' proposal to eliminate the Historical California Production exemption when contractually permitted.

15. There is no evidence to demonstrate that the gas volumes that come from these grandfathered sources are of a sufficient volume to pose a safety hazard to SoCalGas' pipeline system.

16. SoCalGas has not proposed that more aggressive steps be taken to prevent the entry of Historical California Production gas onto SoCalGas' pipeline system.

17. Taking additional steps to prevent the entry of Historical California Production gas onto SoCalGas' pipeline system is not justified at this time based on the record before us.

**Conclusions of Law**

1. The carbon dioxide limits in SoCalGas' Rule 30 should not be changed to a more restrictive limit.

2. The gas constituent specifications in SoCalGas' Rule 30 for heating value, carbon dioxide, oxygen, and inerts should remain unchanged.

3. SoCalGas should be permitted to file an advice letter to modify Section I.5 of Rule 30 to eliminate the Historical California Production exemption when contractually permitted.

4. The issues in this proceeding should be addressed in this proceeding, rather than being tied to or await the outcome of the issues being addressed in R.13-02-008.

5. We affirm that EH are not needed in this proceeding.

**O R D E R**

**IT IS ORDERED** that:

1. The current limits set forth in Section I of Southern California Gas Company's Rule 30 for heating value, carbon dioxide, oxygen, and inerts shall remain unchanged.

2. Southern California Gas Company's (SoCalGas) request to permit the elimination of the Historical California Production exemption when contractually permitted is granted, and SoCalGas is authorized to file a Tier 2 Advice Letter within 60 days to modify Section I.5 of Rule 30 to permit the elimination of the Historical California Production exemption when contractually permitted.

3. Application 11-09-004 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.