



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

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Application of Southern California Gas Company
(U904G) and San Diego Gas & Electric Company
(U902G) to Proceed with Phase 2 of their Pipeline
Safety Enhancement Plan and Establish Memorandum
Accounts to Record Phase 2 Costs.

Application No. 15-06-013
(Filed June 17, 2015)

**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES AND
THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION OF
ALJ BUSHEY**

August 15, 2016

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**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES AND
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ALJ BUSHEY**

Pursuant to Rule 14.3(d) of the Commission’s Rules of Practice and Procedure, The Utility Reform Network (“TURN”) and the Office of Ratepayer Advocates “ORA”) submit these reply comments to the opening comments of San Diego Gas & Electric Company (“SDG&E”), and Southern California Gas Company (“SoCalGas”) (jointly, “Sempra Utilities”) on the Proposed Decision of ALJ Bushey (“Proposed Decision”).

The Sempra Utilities’ opening comments ask the Commission to “remove unnecessary restrictions” regarding the Pipeline Safety Enhancement Program (PSEP) projects eligible for review through after-the-fact reasonableness review applications.¹ In particular, the utilities ask the Commission to remove the date restrictions on the completed projects to be included in future reasonableness reviews.² TURN and ORA submit that the date restrictions serve the important purpose of bounding the PSEP projects that will be reviewed through after-the-fact reasonableness reviews. To the extent practicable, PSEP-related spending should be the subject of forecast applications, either through a separate stand-alone proceeding or as part of a future general rate case (GRC).

The Sempra Utilities’ description of the date restrictions as “unnecessary” asks the Commission to ignore or at least downplay one of the most contentious issues in this proceeding. The date restrictions serve to ensure a limit to the number of PSEP projects that will be reviewed through a reasonableness review application, rather than on a forecast basis.

¹ Sempra Utilities Opening Comments, pp. 2-3.

² *Id.*, p. 3.

Eliminating those restrictions as proposed by the Sempra Utilities will increase the amount of PSEP spending that is reviewed after-the-fact, an outcome the Commission should avoid.

TURN and ORA, working in conjunction with other intervenors in previous pleadings in this docket, have cited several important reasons in urging the Commission to rely as much as possible on forecast-based review for PSEP projects. First, the initial decision of whether a PSEP project should be a pressure test project or a replacement project is very likely to be the most critical decision in terms of the project's safety impact, associated costs, and the impact on utility customers.³ While after-the-fact reasonableness reviews provide at least an opportunity for disallowance of costs that the utilities fail to establish are reasonable and prudent, the Joint Parties submit that all interests are better served if unreasonable costs are avoided in the first instance. When the decision as to reasonableness is issued after work is done and costs are incurred, the opportunity to avoid unnecessary or unreasonable costs is not as meaningful as is the case when the decision is made in a forecast application, where an alternative that avoids unnecessary or unreasonable costs can be selected.

A second but related reason for maintaining the date restrictions is that they appear likely to reduce the risk that the Sempra Utilities will embark on Phase 1B replacement projects without first establishing that such projects warrant replacement rather than pressure testing. The Proposed Decision confirms that the date restrictions apply in particular to these projects.

Specifically, the final Staff proposal required that projects in Phase 1B – pipeline installed prior to 1946 that cannot accommodate in-line inspection – be subject to either an after-the-fact reasonableness

³ This discussion presumes that options to test or replace equally satisfy requirements under PU Code Section 958 and 49 CFR Section 192 for the projects in question. Each has its own benefits and drawbacks, which merit further consideration and review before the work is done.

review if completed in 2015, 2016, or 2017, or be included in a forecast application if completed in later years.⁴

TURN and ORA, along with other intervenors, have consistently called for making Phase 1B projects the subject of forecast applications rather than reasonableness reviews to the extent practicable, in order to give meaning to the language in D.14-06-007 expressing the Commission's intent to ensure parties have an opportunity "to address any concerns regarding Phase 1B ... [such as] whether every segment needs to be replaced or its safety concerns could be addressed in some other manner."⁵ The Staff proposal's approach uses the date restrictions as a means of limiting the subset of Phase 1B projects for which the concerns acknowledged in D.14-06-007 will be considered on an after-the-fact basis.

Under the Staff proposal the Sempra Utilities would need to use a forecast application as the vehicle for project approval for any PSEP project not completed and in service before the end of 2017. The modification proposed by the Sempra Utilities would remove the date restrictions, and merely require a reasonableness review application in 2016 and another in 2018.⁶ In doing so, they create an opportunity to include in their 2018 reasonableness review applications any number of PSEP projects that are completed in 2018, so long as they are completed before the 2018 reasonableness review application is filed.⁷ The Sempra Utilities comments do not disclose this direct effect of their proposed modifications, much less explain why such an outcome would be appropriate or reasonable here.

⁴ Proposed Decision, p. 5 [emphasis added].

⁵ D.14-06-007, p. 16.

⁶ Sempra Utilities Opening Comments, Appendix A (Proposed Modifications).

⁷ If the Sempra Utilities choose to file their 2018 reasonableness review application on the last business day of 2018, there could be a full year's worth of additional projects and spending that are subjected to after-the-fact rather than forecast review applications.

The Sempra Utilities seek to justify their request by citing a single example of a pilot installation completed in early 2016 for which “additional Commission guidance to guide future PSEP activity” might be beneficial. This example would not be included in the 2016 reasonableness review application because the project was not completed before the end of 2015, even though it would have been completed before the 2016 reasonableness review application is served.⁸ The Commission should question the utilities’ logic here, as even under the utilities’ preferred approach a final decision on the reasonableness of the pilot installation is unlikely to issue before mid-2017.⁹ Such a gap between completion of the pilot and the issuance of a decision on the reasonableness of the piloted project is likely to reduce the practical value of the “additional Commission guidance” for future PSEP activity.

TURN and ORA would not object if the Sempra Utilities choose to include in their 2016 reasonableness review application projects that they completed after 2015 and for which the utilities can explain why additional Commission guidance is warranted sooner rather than later. If such projects are included in the 2016 application and clearly called out as such, it would permit the parties and the assigned ALJ and Commissioner to compare the benefits of receiving such earlier guidance with the burden of including a greater number of projects in the 2016 application. This would permit an early determination of whether such projects completed in 2016 should remain in the application, or be deferred until the 2018 reasonableness review application. So long as this approach is limited to projects completed in 2016 that would otherwise be included in the 2018 reasonableness review application, it

⁸ Sempra Utilities Opening Comments, p. 3.

⁹ Even if the Sempra Utilities were to file the 2016 reasonableness review application by September 1, 2016, and the review of that application went as smoothly as practicable, it seems unlikely that a final decision would issue in less than ten months, meaning a mid-2017 decision at the absolute earliest.

would not change the total number of PSEP projects subject to reasonableness reviews rather than forecast applications. Under no circumstances should this option be extended to the 2018 reasonableness review application, which needs to be limited to projects completed in 2016 and 2017 in order to maintain the Staff proposal's delineation between projects subject to after-the-fact reasonableness reviews and projects subject to forecast application reviews.

In conclusion, the Sempra Utilities have failed to establish any factual or legal error regarding the date restrictions. Therefore the Commission should adopt the Proposed Decision as written on this point.

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Respectfully submitted,

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