

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In The Matter of the Application of
San Diego Gas & Electric Company
(U902G) and Southern California Gas
Company (U904G) for a Certificate of
Public Convenience and Necessity for
the Pipeline Safety & Reliability
Project.

Application 15-09-013
(Filed September 30, 2015)

**OFFICE OF RATEPAYER ADVOCATES PRE-HEARING CONFERENCE
STATEMENT IN PROCEEDING A.15-09-013**

DARRYL GRUEN

Attorney for Office of Ratepayer
Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1973
Fax: (415) 703-2262
E-mail: djg@cpuc.ca.gov

September 16, 2016

Pursuant to the instructions provided in the Administrative Law Judge’s (ALJ) Ruling dated August 15, 2016, the Office of Ratepayer Advocates (ORA) files and serves its Prehearing Conference Statement in San Diego Gas & Electric Company and Southern California Gas Company’s (“Sempra Utilities”, “Sempra” or “Applicants”) Application (A.)15-09-013. In A.15-09-013, the Applicants propose replacing Line 1600 with Line 3602, and then derating Line 1600 but leaving it in service as a distribution asset without pressure testing it.¹

I. Recommended Issues to Include in the Scoping Memo

At this time, ORA has identified a number of issues and questions that it recommends be included in the scope of the proceeding. In addition to the specific issues and questions identified below, ORA recommends that the scoping memo allow for the inclusion of other material issues that may arise as discovery continues.

A. Has Sempra Managed Line 1600 Prudently?

The Commission and intervenors should examine whether Sempra has managed Line 1600 prudently. Relatedly, has Sempra operated Line 1600 with a validly established Maximum Allowable Operating Pressure?

B. What Are the Implications of Resolution SED 1 on the Need of the Proposed Project?

Resolution SED-1 required Sempra to de-rate Line 1600 to 512 pounds per square inch gauge (psig), representing a 20% reduction from the design-based Maximum Allowable Operating Pressure (MAOP).² In light of this, what are the implications for the need of the proposed project? ORA suggests a workshop to better understand the facts underlying Resolution SED-1 to help determine what implications those facts may have on the need for the proposed project or other alternatives identified in this proceeding.

¹ The Commission adopted in part the Applicants’ Pipeline Safety Enhancement Plan (PSEP) in D.14-06-007. In Attachment 1 of that Decision, the adopted plan was to “L#1600 - 54 miles of existing L#1600 to be TFI’d [Trans Flux Induction] (Amended Workpapers, WP-IX-1-43). After 54 new miles installed in Phase 1B (Amended Workpapers, WP-IX-1-34), then 45 miles of existing L#1600 will be pressure tested in Phase 1B (Amended Workpapers, WP-IX-1-17)” <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M096/K599/96599589.pdf>.

² Resolution SED-1, August 18, 2016, p. 2.

C. What Are the Implications of Current Gas and Electric Demand Forecast Information on the Need of the Proposed Project?

In addition to Sempra's long term gas demand forecasts, as reported annually in the California Gas Reports by the Sempra Utilities, the 2016 California Gas Reports provide sources of gas demand forecast.³ What reliability-related implications do such sources of forecast information provide for the need of the proposed project?

D. If There Is a Need, Can an Alternative(s) Be Found that Best Comport(s) with California's Most Recent Requirements to Curtail Greenhouse Gas Emissions and Increase(s) Energy Efficiency Savings in Natural Gas End Uses?

California has set forth requirements to limit greenhouse gas (GHG) emissions, including Senate Bill (SB) 32 as recently approved by the Governor;⁴ California Public Utilities Code Section 975(b), which provides explicit requirements to reduce GHG emissions from Commission regulated natural gas pipelines in a cost-effective manner;⁵ and SB 350, which provides a target to double the energy efficiency savings in electricity and natural gas end uses by 2030.⁶ If a need is established in this proceeding, ORA recommends the proceeding consider alternatives that best meets these and other requirements to reduce GHG emissions, applicable to natural gas.

³ See <https://www.socalgas.com/regulatory/cgr.shtml>

⁴ The latest version of SB 32 was approved by the Governor on September 8, 2016. It expands upon the 2006 version of SB 32, and if certain conditions are met, it requires in part as follows: "[T]he state board to ensure that statewide greenhouse gas emissions are reduced to 40% below the 1990 level by 2030."

⁵ Cal. Pub. Util. Code Section 975(b).

⁶ http://leginfo.ca.gov/pub/15-16/bill/sen/sb_0301-0350/sb_350_cfa_20150911_211234_sen_floor.html

E. What Are the Implications of Applicants Not Providing Need-Related Information As Required by the Assigned Commissioner and Administrative Law Judge’s Ruling Requiring an Amended Application and Seeking Protests, Responses and Replies Issued on January 22, 2016?

On January 22, 2016, the Assigned Commissioner and ALJ issued a ruling requiring Applicants to amend their Original Application (January 22 Ruling). The January 22 Ruling required in part that, “Sempra shall include a needs analysis in compliance with Rule 3.1(e).”⁷

Pertaining to the need requirements under Rule 3.1, the Ruling specifically required Applicants to provide the following:

- “Ten-Year forecasted (maximum daily and annual average daily) volumes in the area to be served by proposed Line 3602; including information on the quality of gas and broken down by customer type (e.g., core, non-core commercial and industrial, and noncore electric generation);”⁸
- Ten-year historic monthly volumes through Line 1600;⁹ and
- “Ten-year historic daily and annual maximum volumes through Line 1600.”¹⁰

Applicants did not provide any of the above information in their Amendment to the Application, instead asserting they do not conduct any of the analysis or monitoring of the natural gas lines mentioned above.¹¹

F. What Are the Ramifications of Applicants’ Cost-Effectiveness Analysis (CEA) Defining Certain Alternatives Differently than Required by the Instructions of the January 22 Ruling?

The January 22 Ruling required Applicants to have a Cost-Effectiveness Analysis (CEA) and provided explicit instructions for how to define the alternatives in that analysis.¹² For example, the January 22 Ruling required Sempra’s CEA to examine the Northern Baja Alternative as defined in the Proponent’s Environmental Assessment (PEA), and, as a separate alternative, to

⁷ January 22, 2016 Ruling, p. 11.

⁸ January 22, 2016 Ruling, pp. 16-17.

⁹ January 22, 2016 Ruling, pp. 16.

¹⁰ *Id.*

¹¹ See Amendment to the Application, pp. 40-41.

¹² January 22, 2016 Ruling, pp. 12-14.

examine Non-Physical (Contractual) or Minimal-Footprint Solutions.¹³ However, the Applicants' CEA mixes these alternatives together, calling them "Otay Mesa Alternatives".¹⁴ ORA is pursuing discovery to discern the ramifications of the CEA defining alternatives differently than required by the January 22 Ruling.

G. Has the CEA Provided Accurate Cost Estimates?

Related to the implications of the CEA not defining alternatives as required by the January 22 Ruling discussed above, ORA is performing discovery to confirm the accuracy of estimated costs provided by the CEA, including whether certain underlying cost assumptions are accurate and clear.

H. Has the CEA Evaluated Safety and Risk in a Fashion Consistent with the Law and Commission Safety Policies?

California Public Utilities (Pub. Util.) Code § 963(b)(3) requires that "each gas corporation place safety of the public and gas corporation employees as the top priority." Moreover, the Safety Policy Statement of the California Public Utilities Commission (CPUC) provides that "The safety mission and goal of the CPUC is to assure to the State of California that all of us will work every day to assure that the regulated utilities we depend on for critical services are as safe and resilient as they can possibly be."¹⁵ As part of this vision, the CPUC has committed to guiding principles, including:

- Continually assess and reduce the safety risk posed by the companies it regulates; and
- Hold companies (and their extended contractors) accountable for safety of their facilities and practices.¹⁶

Has the CEA evaluated safety benefits consistent with these and other safety requirements?

¹³ January 22, 2016 Ruling, p. 13.

¹⁴ CEA, p. 13, Section F, "See Alternative E: Otay Mesa Alternatives."

¹⁵ The Commission's Safety Policy Statement can be accessed at <http://cpuc.ca.gov/general.aspx?id=7772>, and then by clicking the "Read the Safety Policy Statement" link.

¹⁶ See Commission's Safety Policy Statement, pp. 1 and 2.

I. Should the Project Objectives in the Environmental Document Be Revised for Purposes of Ensuring a Reasonable Range of Alternatives Under the California Environmental Quality Act

Currently, the Applicants' Proponent's Environmental Assessment (PEA) provides the following three project objectives:

- Implement Pipeline Safety Requirements for Existing Line 1600 and Modernize the System with State-of-the Art Materials;
- Improve System Reliability and Resiliency by Minimizing Dependence on a Single Pipeline;
- Enhance Operational Flexibility to Manage Stress Conditions by Increasing System Capacity.¹⁷

ORA is concerned that, if adopted, these project objectives would not allow the Commission to select a reasonable range of alternatives for environmental review under the California Environmental Quality Act (CEQA), instead leaving the proposed project as potentially the only alternative that could meet these objectives. ORA recommends revising the project objectives to ensure safety and reliability and meeting current greenhouse gas requirements, while also ensuring that SDG&E and SoCalGas customers only pay for the parts of an alternative that they use. Such objectives could apply to Applicants' proposed construction of Line 3602 and derating of Line 1600, and a reasonable range of other feasible alternatives.

Examples of appropriate project objectives could include:

- Meets all current safety requirements, including those provided in 49 CFR Sections 191 and 192; the California Public Utilities Code; Commission General Order 112-F; and the Operational Health and Safety Act.
- Allows sufficient throughput to meet current system and local demand of SDG&E's ratepayers; as well as SoCalGas and SDG&E's long term gas demand forecasts based upon the most current available forecasting information. Such information includes gas, as well as California Energy Commission electricity demand forecasts for SDG&E's service area.
- To the maximum extent practicable, complies with California's requirements to reduce greenhouse gas emissions, including the most current version of SB 32, and Assembly Bill (AB) 2672.
- To the maximum extent practicable, avoids safety risk to potentially impacted communities.

¹⁷ See Applicants' Proponent's Environmental Assessment, Chapter 2, pp. 2-2 and 2-5.

- Ensures that SDG&E and SoCalGas ratepayers only pay for the parts of any alternative that is actually used and useful for those ratepayers.¹⁸

J. Require Sempra to Correct Certain Deficiencies to Its Amendment to the Application

In the January 22 Ruling, the Assigned Commissioner and ALJ agreed with intervenors' assertions that Sempra's application was deficient and ordered Applicants to file and serve an amended application to address these deficiencies.

At the time it was filed, the Application was complex. Complicating the problem is Sempra's choice to add to their initial two-volume Application, the first of which was 91 pages, a 129 page Amendment to Application with an introductory statement which includes the following: "Except as stated below, the original Application, which includes the Applicants' Proponent's Environmental Assessment (PEA), is unchanged and incorporated herein by reference."¹⁹ In order to facilitate an understanding of this already complex Application, ORA recommends that Sempra be required to re-submit its Application with the amendment as a single, complete document. If this were required, ORA would stipulate to waiving another protest period.

II. Recommended Schedule

ORA proposes that environmental review pursuant to CEQA be completed prior to serving its testimony. Completion of CEQA review in this case is essential for safety related reasons. In another recent natural gas case, the Commission identified public and utility safety matters as top priorities, pursuant to Pub. Util. Code § 963. Given that, an Environmental Impact Report analyzed various safety issues and concluded that the proposed project resulted in significant threats to public safety.²⁰ In that case, the final environmental document was submitted, and then a further record was developed, including supplemental evidentiary hearings to further consider need.²¹ Similarly, given the density of buildings in the vicinity of the 47 mile

¹⁸ In suggesting this possible project objective, ORA assumes that Sempra will request complete recovery for this project from its own ratepayers.

¹⁹ Applicant's Amendment to Application, p. 1.

²⁰ D.12-07-021, Mimeo, p. 18

²¹ This was the approach taken by the Commission in consideration of an application to build the

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proposed project presented in the Sempra application, an environmental document should analyze and disclose the safety-related risk to communities in the vicinity of the proposed pipeline. ORA recommends the following schedule, which would accommodate such an approach:

Intervenor Testimony Due Date	120 calendar days after the final environmental document is submitted.
Sempra Rebuttal Testimony Due Date	45 calendar days after intervenor testimony is served.
Hearings	Begin 30 calendar days after rebuttal testimony is served and last for two weeks. ²²
Concurrent Opening Briefs	30 calendar days after hearings end.
Concurrent Reply Briefs	21 calendar days after opening briefs are filed.

Respectfully submitted,

/s/ DARRYL GRUEN

Darryl Gruen

Attorney for Office of Ratepayer Advocates

California Public Utilities Commission
 505 Van Ness Avenue
 San Francisco, CA 94102
 Phone: (415) 703-1973
 Email: djg@cpuc.ca.gov

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Sacramento Natural Gas Storage Facility. *See* D.12-07-021, mimeo, p. 15.

²² ORA anticipates the need for hearings.