

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



**FILED**  
9-16-16  
04:59 PM

In the Matter of the Application of San Diego )  
Gas & Electric Company (U 902 G) and )  
Southern California Gas Company (U 904 G) )  
for a Certificate of Public Convenience and )  
Necessity for the Pipeline Safety & Reliability )  
Project )

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A. 15-09-013  
(Filed September 30, 2015)

**PREHEARING CONFERENCE STATEMENT OF THE UTILITY CONSUMERS'  
ACTION NETWORK (UCAN)**

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September 16, 2016

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Pursuant to the August 15, 2016, ruling of ALJ Kersten, The Utility Consumers’ Action Network (UCAN) hereby submits this prehearing conference statement on the joint application of San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SCGC) (collectively “Applicants”) for a Certificate of Public Convenience and Necessity (CPCN). The Applicants’ have proposed to construct a new 36-inch, 47-mile gas pipeline in San Diego County and to lower the pressure of their existing gas Line 1600 for use as a distribution line.<sup>1</sup> UCAN is filing this statement to address the scope of issues to be resolved in this proceeding and to suggest a schedule.

**I. STATEMENT OF FACTS AND PROCEDURAL HISTORY**

On September 30, 2015, the Applicants filed an application for a CPCN along with the Proponent’s Environmental Assessment (PEA) for the construction of a \$595 million dollar gas pipeline.<sup>2</sup> As noted in the application, and has been true for decades, SDG&E relies on a single gas transmission pipeline (Line 3010) for 90% of its transmission capacity.<sup>3</sup> For the remaining 10% SDG&E relies on Line 1600. Line 1600 is an older pipeline, and subject to the

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<sup>1</sup> Amendment to the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for a Certificate of Public Convenience and Necessity for the Pipeline Safety & Reliability Project, filed September 30, 2015, p. 1

<sup>2</sup> Chapter 3 of SDG&E’s filings under Section 3.7 Construction Schedule and Proposed Project Cost at page 3-66. SDG&E estimates the cost for this project will be 595.6 million.

<sup>3</sup> See Application of SDG&E & SoCalGas Co. for a Certificate of Public Convenience and Necessity (CPCN) for the Pipeline Safety & Reliability Project, p. 3.

Commission's decision implementing a Safety Enhancement Plan that adopted Phase 1 of SDG&E's Pipeline Safety Enhancement Plan (PSEP) that included plans to pressure test or replace Line 1600.<sup>4</sup>

To avoid the need to pressure test Line 1600, the Applicants have proposed in this application to build a new pipeline. To justify their request, the Applicants noted three important project objectives for this proposal:

- Enhance the Safety of 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.<sup>5</sup>

Despite the fact that SDG&E has been relying on a single gas pipeline for 90% of its transmission capacity since 1960<sup>6</sup> and even though for those last 5 decades SDG&E has not needed the added redundancy of a new gas pipeline and the significant expansion of transmission capacity, SDG&E puts forward this very expensive, unneeded and unwise proposal.

After the application was filed in September 2015, UCAN and several other intervenors filed timely protests to the Application. After reviewing the application and the protests Commissioner Randolph and ALJ Kersten noted that there were several deficiencies to the application and in a joint ruling filed on January 22, 2016, they required the Applicants to amend their application to cure deficiencies and have it refiled by March 21, 2016.<sup>7</sup> Specifically, the Applicants were directed to address deficiencies pursuant to California Public Utilities Code Sections 1001 and 1003(d), and 3.1(b), 3.1(c), 3.1(e), 3.1(f), 3.1(h), 3.1(i), 3.1(k)(1), 3.1(k)(1)A, 3.1(k)(B), 3.1(k)(2), 3.1(k)(3), 3.1(k)(3)(A), 3.1(k)(3)(B), and 3.1(o) of the Commission's Rules of Practice and Procedure (Rules). Later in the ruling, the assigned Commissioner and the ALJ

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<sup>4</sup> D.14-06-007, Ordering Paragraph 1; see also Decision Tree (Attachment I), fn. 5 and Reconciliation (Attachment II), fn. 2.

<sup>5</sup> See Amendment to Application of SDG&E & So. Cal Gas Co. for a CPCN for the Pipeline Safety & Reliability Project, p. 4.

<sup>6</sup> See Application, p. 3.

<sup>7</sup> ALJ Ruling, January 22, 2016, p. 3.

further clarified the need for more information on needs analysis, cost analysis comparing the project with any feasible alternative sources of power, as well as safety evaluation and compliance analysis.

The January 22, 2016 ruling also noted that the Energy Division (ED) had issued a list of PEA deficiency items to the Applicants. Among the critical information missing was lack of formal acceptance by the Lead Agency for National Environmental Quality Act (NEPA) compliance.<sup>8</sup> Because the proposed project would cross 3.5 miles of land within the United States Marine Corps (USMC) Air Station Miramar, USMC could accept the role of lead agency for NEPA. If USMC does accept this role, a formal Memorandum of Understanding (MOU) will need to be completed between the CPUC and USMC. This step also has a significant impact on the CEQA process because in order to circulate the Notice of Preparation and public scoping, a first step for the ED in the CEQA process after deeming the PEA complete, the ED will need substantial involvement from the NEPA lead agency.<sup>9</sup>

After Applicants filed an Amended Application on March 21, 2016, UCAN and other intervenors filed appropriate protests, and a reply was filed by the Applicants on April 29, 2016. On June 17, 2016, ORA filed Motion to Dismiss attesting that the Application failed to meet certain requirements and that the Applicants failed to show need. UCAN filed a response supporting ORA's Motion to Dismiss.

On August 15, 2016 ALJ Kersten issued a ruling setting a Prehearing Conference for September 22, 2106 and invited the parties to provide PHC statements, to be filed no later than September 16, 2016. UCAN appreciates the opportunity to file this statement.

## **II. CEQA PROCESS SHOULD GO FIRST**

As an initial matter, UCAN would note that while the Commission will need to hold evidentiary hearings in this proceeding to determine the issues of cost and need for the proposed

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<sup>8</sup> ALJ Ruling, January 22, 2016, p. 18

<sup>9</sup> ALJ Ruling, January 22, 2016, p. 19. Based on a review of the Commission's CEQA website page for this project, the ED issued 3 letters of deficiency requesting additional information, on October 30, 2015, December 30, 2015, and April 29, 2016. The Commission's website does not indicate that the PEA has been deemed complete, and the Commission staff is still reviewing the application and has not yet issued a notice of preparation.  
<http://www.cpuc.ca.gov/environment/info/ene/sandiego/sandiego.html>

project, there is Commission precedent to wait until the environmental review process has been completed before holding evidentiary hearings. UCAN believes that it would be prudent for the ALJ and the Assigned Commissioner to exercise their discretion and wait until the environmental review has been completed before scheduling evidentiary hearings.

UCAN believes it prudent for several reasons:

1. It is very likely that the CEQA process will inform the Commission on the issues to be considered in any evidentiary hearing on this application, including whether the applicants' cost estimates need upward adjustment should unanticipated environmental mitigation measures need funding.
2. Evidentiary hearings may be needed to provide further record development for the feasibility of environmental mitigation measures and/or whether there are overriding considerations justifying approval of the proposed project should significant environmental damage result.
3. Gas demand is decreasing, and given the State's mandated 50% renewable portfolio standard for electric utilities by 2030 which will reduce the need for gas to power gas fired generation plants in SG&E's service territory, it may be that demand will fall enough so that no additional capacity will be needed from a new pipeline. Allowing the CEQA process to proceed first will provide the time to obtain updated gas demand forecasts which will inform the Commission on the need for this proposed project.

In a recent proceeding the Commission decided to hold evidentiary hearings on issues considered in the CEQA evaluation of an SDG&E's project. In A.12-10-009 the Commission held evidentiary hearings after a draft Environmental Impact Report (EIR) was issued regarding:

- A. Are the mitigation measures or project alternatives infeasible?
- B. To the extent that the proposed project and/or project alternatives result in significant and unavoidable adverse environmental impacts, are there overriding considerations that nevertheless merit Commission approval of the proposed project or a project alternative?

As noted in President Peevey's Scoping Memo from that proceeding:

"Factual issues requiring further record development could arise once the draft EIR has been released. If, for example, the Commission must make specific findings on feasibility or issue a statement of overriding considerations and the ALJ or I determine that the record is insufficient, supplementation of the record in a timely and legally sufficient manner can be accomplished by requiring a further showing from SDG&E. Such a showing necessarily would address the specific economic, legal, social, technological or other considerations that render any project alternatives or mitigation measures infeasible or the specific economic, legal, social, technological, or other benefits of the project that

outweigh the adverse environmental impacts. Such a showing should not duplicate matters that will be assessed in the EIR”.<sup>10</sup>

The project that the Applicants have proposed through this pending application seeks the construction of a 47- mile gas transmission pipeline to increase system capacity and that will obviate the need to pressure test line 1600. The CEQA process will be evaluating several issues for not just the proposed project, but also proposed alternatives to the project. It may be that through the CEQA process a new pipeline route will be determined an environmentally superior alternative to what the application proposed that would avoid some environmental damage not known when the application was filed. Should this happen the cost of the proposal will likely be different, perhaps significantly different, than what is proposed in the application.

In addition, should the environmental review process find that significant environmental damage will result from the proposed project that cannot be mitigated, the Commission must weigh and balance the merits of approving the project despite the environmental damage and determine if there are overriding considerations that merit project approval.<sup>11</sup>

In this proceeding SDG&E has proposed to build a 47- mile gas pipeline through the heart of San Diego County that will significantly increase SDG&E’s transmission pipeline capacity. UCAN believes it is likely that the environmental review is likely to inform the issues to be determined though evidentiary hearings and we recommend waiting for the CEQA process to be completed before hearings are scheduled.

### **III. SCOPE OF ISSUES**

In all of our previous filings UCAN has noted SDG&E’s failure to show why it is necessary to build a very expensive gas pipeline to substantially increase transmission capacity in an era of declining demand and at a time when the state of California is moving away from the use of fossil fuels.<sup>12</sup> UCAN believes that when the application is examined from this perspective the lack of need for the project becomes more clear.

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<sup>10</sup> A.12-10-009, Scoping Memo issued March 17, 2014, p. 12-13

<sup>11</sup> California Code of Regulations, Title 4, section 15903

<sup>12</sup> Among the many statewide policies that will reduce the demand for gas supplies is the recent passage of SB 350 which increases the mandate that utilities procure 50% of their power from renewable sources by 2030, thus

**1. The Commission should modify the project objectives and Applicants should be ordered to resubmit a cost effectiveness analysis that considers changed project objectives**

UCAN is concerned that the Applicants stated project objectives are designed to lead to the conclusion that this project must be approved. In the cost-effectiveness analysis prepared by Price waterhouse Coopers Advisory Services (PwC) at SDG&E's request and filed in March 2016, they examined the cost effectiveness of the project as compared to a set of proposed alternatives to see which one best met the project objectives to "modernize the system with state of the art materials" that provided "resiliency by minimizing dependence on a single pipeline" and that helped to "enhance operational flexibility to manage stress conditions by increasing system capacity".

In using the Applicants' listed project objectives to minimize dependency on a single pipeline by sufficiently increasing system capacity, PwC's examination of cost effectiveness centered on which was the most cost effective way to expand capacity enough to provide redundant capacity should the other pipelines fail. In their review PwC's Cost-Effectiveness Analysis (CEA) Benefits Evaluation Scoring determined the 36" pipeline was the superior alternative and gave the Proposed Project the highest score (5 on a scale of 1-5) in six of the seven benefit categories. However, in examining why other projects received lower scores it was because a higher score was given projects that showed an increase in capacity by more than 20% and the ability to increase gas storage through Line Pack.

Had PwC examined what would be the most cost effective way to provide sufficient gas supplies to SDG&E customers, rather than how to provide increased and redundant system capacity, the result of their cost effectiveness examination would likely be very different.

UCAN would urge that the Commission modify the project objectives by deleting the consideration of "modernizing the system with state of the art materials", "increasing system capacity" and "minimizing dependence on a single pipeline" and instead change the project objectives to "Ensuring the safe delivery of adequate supply of gas to SDG&E customers mindful of state policy to reduce greenhouse gas emissions".

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decreasing demand for gas to operate gas fired electric generation power plants. The Commission is examining how to implement this requirement in R.16-02-007.

The Commission must not allow the applicants stated objectives to drive a result that leads to a substantial expansion of capacity when it is likely not needed. UCAN would urge the Commission to require the Applicants to resubmit a cost effectiveness analysis examining the various project alternatives using UCAN's suggested project objectives provided above.

## **2. System capacity needs must be examined**

The Applicant's second objective is that the project is needed to "improve system reliability and resiliency..." yet they fail to provide evidence of problems related to reliability or resiliency issues. Through data requests, UCAN has determined that there has not been a single instance of curtailment due to restricted capacity in SDG&E service territory in the last five years, which suggests that the Applicants are not experiencing problems with reliability and resiliency. For example, SDG&E has stated that there have been 12 curtailment events on the SDG&E system since 2011.<sup>13</sup> Nine of these curtailments were for "Planned Maintenance" between October 1, 2011 and November 19, 2011, and three of the curtailments (Feb. 3, 2011; Dec. 6, 2013; Feb. 6, 2014) in the five year period were due to "Lack of Supply."

In no instance did the Applicants identify curtailment issues due to lack of capacity. If the curtailments were due to system-wide gas supply shortage and not a lack of capacity, a brand new pipeline would not solve any curtailment issues. As ORA has pointed out in their motion to dismiss, the "Applicants' forecast numbers for 1-in-10 year cold day demand show natural gas decreases for each of the coming ten years."<sup>14</sup>

A decreasing demand in gas should not result in the Commission authorizing a project to increase capacity.

## **3. Applicants should not use this project to avoid safety requirements**

In the PSEP proceeding SDG&E filed an extensive Pipeline Safety Enhancement Plan after the Commission required all natural gas operators to provide plans, "to either pressure test or replace all segments of natural gas pipelines which were not pressure tested or lack sufficient details related to performance of any such test."<sup>15</sup> The Commission noted that the Applicants

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<sup>13</sup> UCAN Data Request #2, Question and Response #15

<sup>14</sup> See ORA Motion to Dismiss, p. 13, citing to Amendment to the Application, p. 40.

<sup>15</sup> D.11-06-017, Ordering paragraph #4, p.31; referenced in D.14-06-007, Decision implementing PSEP, p. 6.

filed two exhibits, a Decision Tree and Reconciliation Tree.<sup>16</sup> The Commission described its expectation of the Applicants as follows:

“At a minimum we would expect that SDG&E and SoCalGas could document and demonstrate an overview of the management of Safety Enhancement which might include: ongoing management approved updates to the Decision Tree and ongoing updates similar to the Reconciliation. The companies should be able to show work plans, organization charts, position descriptions, Mission Statements, etc., used to effectively and efficiently manage Safety Enhancement.”<sup>17</sup>

The Applicants in this proceeding have noted that a benefit to approval of this new project is that it will obviate the need to pressure test line 1600 because if approved, SDG&E would seek to lower the lines operating pressure to de-rate line 1600 into a distribution line. In essence the Applicants’ proposal will permit them to build a \$595 million pipeline and remove the requirement to pressure test their existing line. UCAN believes that the Commission must determine if requiring the Applicants to pressure test line 1600 is the best available option when considered using the modified project objectives that do not seek a significant expansion of SDG&E’s gas transmission capacity.

#### **IV. SCHEDULE**

As noted above, UCAN believes that the CEQA process should go first before the Commission schedules evidentiary hearings in this matter. UCAN also believes that evidentiary hearings are likely to be very lengthy given the number of issues to consider, perhaps lasting 2 or more weeks. Therefore, to allow the parties sufficient time to consider all issues raised including through the environmental review we recommend that intervenor testimony not be due until 4 to 6 months after the Environmental Impact Report has been issued, that the Commission schedule rebuttal testimony 30 days after that and that evidentiary hearings be scheduled 30 days after rebuttal is due.<sup>18</sup>

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<sup>16</sup> D.14-06-007, p. 14, 15.

<sup>17</sup> D.14-06-007, p. 36, 37.

<sup>18</sup> Should the Applicants note that UCAN’s proposal would unnecessarily extend the schedule past a reasonable time to conclude this proceeding, we would like to note that Applicants filed their application in September of 2015 but it is through no fault of either the parties or the Commission that it has taken so long to review this project. As noted above SDG&E was required to amend their application to include information that was not

## V. CONCLUSION

This proposal seeks to build a gas transmission pipeline in an era of declining gas demand that will cost ratepayers over half a billion dollars. UCAN urges the Commission to carefully examine all aspects of this proposal.

We look forward to the prehearing conference.

Dated: September 16, 2016

Respectfully submitted,

*/s/ Donald Kelly*

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provided in their initial filing, and Energy Division has issued 3 deficiency letters regarding the Applicants' PEA (see footnote 9 above).