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# ATTACHMENT A

**A.14-12-016  
SOCALGAS AND SDG&E'S PIPELINE  
SAFETY AND RELIABILITY  
MEMORANDUM ACCOUNT (PSRMA)  
SEPTEMBER 22 , 2016**

# A.14-12-016 Draft Decision

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- The Draft Decision provides reasoned and appropriate precedent and guidance for future PSEP after-the-fact reasonableness reviews.
- The Draft Decision should be adjusted to reflect PSEP-specific insurance overheads.
- The Draft Decision should be modified to grant recovery of the corrected PSEP-specific insurance costs or, in the alternative, clarify that that these PSEP-specific insurance costs may be sought in future PSEP proceedings.

# The Draft Decision Should be Adjusted to Accurately Reflect the Allocation of PSEP-Specific Insurance Overheads.

- » In A.14-12-016, SoCalGas and SDG&E allocated the indirect costs to the PSEP projects and activities. Included as part of the allocation to capital and O&M projects were PSEP-specific insurance overheads (originally totaling \$2.181 million).
- » The Proposed Decision's \$2.181 million disallowance, however, is overstated because it includes allocation to removed and disallowed projects.
- » Approximately \$0.2 million is attributable to removed and disallowed projects.

# The Draft Decision Should be Adjusted to Accurately Reflect the Allocation of PSEP-Specific Insurance Overheads

» With appropriate adjustments, the PSEP-specific insurance overheads total approximately \$1.961 million (instead of \$2.181 million). The adjusted amounts are as follows:

Project	Requested Project Costs	PSEP-Specific Insurance Overhead	Total
Line 2000-A	26,374,877	1,953,464	24,421,413
Lines 42-66-1/2	813,327	4,283	809,044
Playa Del Rey Storage Facility	683,036	1,608	681,428
Descoped Projects	127,639	1,490	126,149
	27,998,879	1,960,845	26,038,034

# The Draft Decision Should be Modified to Provide for Rate Recovery or Deny Cost Recovery Without Prejudice

- » The Proposed Decision finds that the PSEP-specific insurance costs should not be recovered at this time because it cannot be determined how the insurance number was derived, how it was allocated, and if such amounts are reasonable.
- » During the proceeding, SoCalGas and SDG&E provided evidence supporting the reasonableness of PSEP-specific insurance overheads and, through discovery, provided further support of the these costs to parties.
- » The Commission should grant PSEP-specific insurance overhead recovery or deny recovery without prejudice.

# The Draft Decision Should be Modified to Provide for Recovery of the Corrected and Reasonably Incurred PSEP-Specific Insurance Costs

- » PSEP-specific insurance is similar to other overheads. Generally, overheads are allocated to the projects based on cost elements of the direct costs. PSEP-specific insurance is no different.
- » PSEP-specific insurance benefits customers and was reasonably procured to mitigate risk, promote reasonable costs, increase competition, and facilitated Disadvantaged Business Enterprise participation.
- » SoCalGas and SDG&E provided evidence of the total overheads to be allocated and the total overheads allocated to each project.

## Alternatively, The Draft Decision Should be Modified to Deny Cost Recovery Without Prejudice

- » The Commission could otherwise adopt TURN's alternative proposal and "disallow rate recovery at this time of any amount for the PSEP-specific insurance, but permit the utility to seek recovery of the amount associated with otherwise-approved PSRMA projects in a future reasonableness review application, subject to a demonstration of the reasonableness of all aspects of that policy and associated costs."
- » SoCalGas and SDG&E explained through discovery how the overheads were calculated and allocated and provided workpapers of the monthly allocations and calculations. These responses were not made part of the record; but this information was available and provided to parties.
- » The alternative would allow SoCalGas and SDG&E to further explain the prudence of their insurance procurement efforts and enter the above information into the record of a future proceeding.