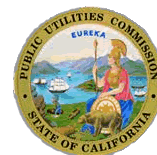


BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas &
Electric Company (U902M) for
Authority, Among Other Things, to
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on January 1, 2019.

Application 17-10-007

And Related Matter.

Application 17-10-008

**OPENING BRIEF
OF THE OFFICE OF THE SAFETY ADVOCATE**

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-007
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**OPENING BRIEF
OF THE OFFICE OF THE SAFETY ADVOCATE**

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission, (Commission) the Office of the Safety Advocate (OSA) hereby submits this Reply Brief in the consolidated General Rate Case (GRC) proceeding filed by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E, or collectively, “Sempra” or “Utilities”).

In its Opening Brief, SoCalGas and SDG&E reiterated its “Commitment to Safety”¹ and to “place safety as a top priority.”² The utilities assert that “SDG&E embraces a safety-first culture [that] focuses on our employees, customers, and the public, and is embedded in every aspect of our work” while SoCalGas’ safety culture is driven by its Executive Safety Council.³ Further, the utilities stated that they have “taken multiple, forward-thinking steps to address safety culture and associated safety

¹ Opening Brief of the Southern California Gas Company and San Diego Gas & Electric Company in the Test Year 2019 General Rate Case (Sempra Opening Brief.) at p. 9.

² Sempra Opening Brief at p. 10.

³ Sempra Opening Brief at p. 10.

policies and practices and routinely take a proactive and leading role in the Commission’s efforts to address safety initiatives and risks.”⁴

Subsequently, SoCalGas and SDG&E expressed their “continued commitment to the implementation of process safety framework” by seeking funding to implement API 1173 and ISO 55000 in its underground gas and electricity operations, respectively.⁵ OSA supports that funding. While OSA recognizes the utilities’ willingness to adopt OSA’s recommendation to apply best practices contained in API RP 1173 for its underground gas operations⁶ and its attempt to address OSA’s recommendations to use metrics and to prioritize process safety,⁷ OSA remains critical of the utilities’ safety culture due to several recent safety incidents. Following a gas leak at the Aliso Canyon in 2015, SoCalGas experienced a pipeline explosion in October 2017 and had several pipeline outages.⁸ The limited availability of gas supply from Aliso Canyon and the pipeline outages caused a heightened concern of a potential gas shortage during the past winter. These incidents threaten human, system, and environmental safety and undermine the safety and reliability guiding principles that SoCalGas and SDG&E claim to uphold and commit to. In the case of PG&E, the persistence of safety incidents motivated the Commission to undertake an investigation to determine whether the persistence was rooted in the utility’s or parent company’s organizational culture and governance and safety culture.⁹ The investigation resulted in a number of corrective actions.

“A public utility’s organizational culture is shaped by its governance, or rules of accountability. A public utility whose organizational culture and governance prioritize safety, and that achieves a positive record of safe operation, can be described as

⁴ Sempra Opening Brief at p. 10.

⁵ Sempra Opening Brief at p. 12.

⁶ Exhibit OSA 442 at pp. 2-23 through 2-25.

⁷ Sempra Opening Brief at p. 13.

⁸ Exhibit OSA 442 at p. 4-2.

⁹ Order Instituting Investigation on the Commission’s Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E Corporation’s Organizational Culture and Governance Prioritize Safety. I.15-08-019 at p. 3.

possessing a high-functioning safety culture.”¹⁰ OSA, therefore, recommends that the Commission institute an investigation (OII) to determine the effectiveness of the utilities’ safety culture and to prevent safety incidents. OSA believes that SoCalGas and SDG&E will benefit from the results of a safety culture assessment OII as PG&E has benefited from its 2015 safety culture OII following several safety incidents.

SoCalGas proposes to substitute projects to accelerate the execution of a PSEP project for operational, reliability, or safety enhancement reasons.¹¹ OSA opposes SoCalGas’ request for special Tier 1 treatment of PSEP project substitutions, because delaying the replacement or testing of a pipeline that it has already designated as a threat contradicts the intention of PSEP.¹² In this regard, OSA recommends that substituted projects, and those projects that substitute them should, like all other PSEP projects, be treated through a two-way balancing account, rather than the Tier 1 proposal submitted by SoCalGas. In other words, SoCalGas’ PSEP budget should not prevent completing projects that SoCalGas has already determined are necessary to address identified safety threats. The utilities have an obligation to prioritize safety over budget under Section 451 as stated in I.15-08-019:

[T]he safety obligation established by Section 451 is not a residual, variable byproduct of a particular rate level set by the Commission. ***To be clear, public utilities are not permitted to adopt anything other than safe operations and practices***, even if they believe that rates approved by the Commission are inadequate.¹³

In addition, SoCalGas’ PSEP Director, Mr. Phillips, could not explain what SoCalGas intends to do with the substituted projects, and appears to believe that if his budget does not permit it, taking care of that substituted project is not his concern.¹⁴ This is a problem. A two-way balancing account would permit SoCalGas to proceed

¹⁰ Ibid.

¹¹ Sempra Opening Brief at pp. 159 – 161

¹² See Sempra Opening Brief, pp. 159 – 161, and OSA Opening Brief at pp. 28 – 29.

¹³ I.15-08-019 at p. 14.

¹⁴ See Reporter’s Transcript, Vol. 23 at pp. 2282 -2284, SoCalGas’ Richard Phillips.

with whatever projects it deems necessary, without concern for the budget. Of course, any cost-overruns would be subject to the same reasonableness review commonly adopted for two-way balancing accounts.

For the reasons stated above, OSA recommends that the Commission institute an OII to determine the effectiveness of SoCalGas' and SDG&E's safety culture, reject SoCalGas' proposal to substitute PSEP projects which can impact safety, and allow a two-way balancing account for PSEP.

Respectfully submitted,

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