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EXHIBIT 2

II. Issues And Proceedings Not Decided in D.11-05-045.

A. Outstanding Cost-of-Service Issues in A.03-02-027 -- Not Resolved By D.11-05-045.

1. Purchase Accounting Adjustments – (This cost of service item affects capital structure, G&A overhead allocation, and the separation of costs between carrier and non-carrier operations).
 - (a) **Note:** ALJ Bemserfer's original PD adopted the recommended capital structure of Shipper witness Ashton in A.09-05-014, *et al.* because it was the actual (versus a hypothetical) capital structure of KMEP. The model that the original PD adopted also adjusted SFPP's capital structure to reverse the effects of the write-ups and write-downs taken by KMEP in connection with prior asset acquisitions (*i.e.*, PAAs). The original PD therefore rejected incorporation of PAAs in capital structure determinations for ratemaking purposes.
2. Allocation/Assignment of G&A Overhead Costs from Kinder Morgan to SFPP
 - (a) **Note:** ALJ Bemserfer's original PD in A.09-05-014, *et al.*, rejected SFPP's G&A overhead assignment methodology in its entirety.
3. Allocation of Costs between Carrier and Non-Carrier Operations - (This cost of service item is influenced by the treatment of PAAs and affects the allocation of G&A overhead costs)
4. Oil Losses and Shortages ("OL&S") Allowance
 - (a) **Note:** ALJ Bemserfer's original PD in A.09-05-014, *et al.* addressed this issue and found SFPP's evidence and proposed level reasonable based on the record in that particular case.
5. Dismantlement Removal and Restoration ("DR&R") Expense
 - (a) **Note:** ALJ Bemserfer's PD in A.09-05-014, *et al.*, rejected SFPP's proposed DR&R expense in its entirety.
6. Fuel and Power Expense
7. Pipeline Taxes – (The primary difference between Shippers and SFPP on this issue involves the treatment of the North Line expansion project in a 2003 Test Year)
8. Throughput Volumes
 - (a) **Note:** ALJ Bemserfer's original PD in A.09-05-014, *et al.*, adopted the Shipper position regarding test year volumes. The original PD also established the principle "while actual results in the test year are not dispositive of the questions of volume and

revenue for ratemaking purposes, they are evidence strongly tending to support the shippers' projections."

B. A.04-11-017 Proceeding – Not Resolved by D.11-05-045.

1. In A.04-11-017 asked that it be permitted to apply an approximately 9 percent incremental rate increase across its entire intrastate system to reflect alleged "incremental" cost increases associated with the pipeline's North Line Expansion Project ("NL Expansion") between Concord and Sacramento, California. The NL Expansion consists of approximately 70 miles of 20-inch pipeline. SFPP stated that the estimated cost to construct the NL Expansion was \$96.6 million, of which approximately \$67.3 million should properly be allocated to SFPP's CPUC-jurisdictional service. In connection with the NL Expansion, SFPP also proposed to remove from service its existing 14-inch line from Concord to Sacramento, as well as its Elmira pump station.
2. SFPP claimed that its North Line incremental annual cost of service amounted to \$14.3 million. SFPP proposed, however, to limit the annual increase to \$9 million because of alleged competitive constraints and the provisions of Code Section 455.3. SFPP claimed that because the reasonableness of its existing rates is currently pending before the Commission in the A.03-02-027 proceeding, the Commission should only undertake an investigation of SFPP's proposed \$9 million rate increase and forego any review of the pipeline's other cost-of-service components or system revenues.
3. SFPP's incremental rate increase related to the North Line expansion went into effect, subject to refund, on or about December 15, 2004.

C. A.06-01-015 Proceeding – Not Resolved by D.11-05-045.

1. In A.06-01-015 SFPP requested that an incremental surcharge (*i.e.*, rate increase) to be added to the pipeline's then current intrastate rates. SFPP's January 26, 2006 Application claimed that the pipeline would incur future anticipated "extraordinary" costs of \$5.355 million in its annual operating expenses for the years 2006-2008 as a result of increased power costs and expenditures connected to a Corrective Action Order issued by the U.S. Department of Transportation. The incremental rate increase that SFPP requested was in addition to the previous rate increases pending in the other CPUC Dockets.
2. SFPP's incremental rate increase associated with this proceeding went into effect, subject to refund, on or about March 1, 2006.

D. A.06-08-028 Proceeding – Not Resolved by D.11-05-045.

1. In A.06-08-028 SFPP asked the Commission to permit it to increase intrastate rates throughout its system by imposing an incremental surcharge on all diesel shipments, with the exception of Sepulveda

Junction movements. SFPP claimed that the incremental surcharge, termed the "Ultra Low Sulfur Diesel Recovery Fee," ("ULSD surcharge" or "surcharge") was allegedly required to recover the cost of complying with regulations of EPA in Title 40 CFR Part 80 Subpart I. The incremental surcharge represents an overall revenue increase of \$484,900.

2. SFPP also proposed an additional incremental rate increase throughout its system tied to its decision to reduce the Watson charge from 3.5 cents/bbl to 0.3 cents/bbl. This change was intended to conform the intrastate Watson charge to the analogous interstate Watson charge approved by FERC via a settlement and would, according to SFPP, result in a \$3.134 million reduction in revenues. SFPP states that it would recover this reduction in revenue by an incremental rate increase throughout its intrastate pipeline system.
3. The ULSD Surcharge proposal and the Watson rate increase proposal are in addition to previous rate increases SFPP has been seeking. SFPP's incremental rate increase associated with the ULSD Surcharge and Watson proposals went into effect, subject to refund, on or about October 1, 2006.

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