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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company Proposing Cost of Service and Rates
for Gas Transmission and Storage Services for
the Period 2011-2014. (U39G)

Application 09-09-013
(Filed September 18, 2009)

REVISED SCOPING MEMO AND RULING ADDING AN ADDITIONAL PHASE

1. Summary

Today's revised scoping memo and ruling (revised scoping memo) adds an additional phase in this proceeding to address the pipeline safety measures and emergency response procedures that Pacific Gas and Electric Company (PG&E) should have in place in the coming months to ensure the safety and reliability of PG&E's gas transmission and storage system during the rate cycle period covered by this proceeding, and beyond. This additional phase is warranted in light of the September 9, 2010 gas explosion and fire involving PG&E's gas transmission line in San Bruno.

This revised scoping memo also addresses the procedural schedule that we will follow to handle the contested issues raised by San Diego Gas & Electric Company and Southern California Gas Company (SDG&E/SoCalGas), and the August 20, 2010 "Joint Motion of Settlement Parties for Approval of 'Gas Accord V' Settlement" (joint motion).

2. Background

The subject application was filed to address PG&E's cost of providing gas transmission and storage services to its customers for the rate cycle period 2011

through 2014. On December 18, 2009, the scoping memo and ruling (initial scoping memo) for this proceeding was issued. The ultimate issue to be addressed is whether the revenue requirement, cost allocation, and rate design application of PG&E's gas transmission and storage costs should be granted by the Commission.

The initial scoping memo identified the issues to be addressed and set forth the procedural schedule. As a result of settlement discussions and the joint motion, several motions to amend the procedural schedule were filed and granted. In accordance with September 15, 2010 and the August 23, 2010 rulings, concurrent rebuttal testimony was served on October 11, 2010, evidentiary hearings have been scheduled for October 25, 2010 through October 27, 2010, and a proposed decision is to be issued on or before February 7, 2011.

The San Bruno gas explosion and fire occurred after the joint motion to adopt the proposed Gas Accord V settlement was filed. We issued a September 15, 2010 ruling asking PG&E and the parties to comment on three questions about the adequacy of the proposed Gas Accord V settlement in light of the September 9, 2010 events. On September 20, 2010, PG&E filed comments in response to the ruling, and on September 30, 2010, the other settlement parties filed reply comments.

In accordance with the procedures for objecting to all or part of the proposed Gas Accord V settlement, SDG&E/SoCalGas filed comments on September 20, 2010 contesting certain issues in the proposed settlement, and an additional issue not addressed in the proposed settlement, as unreasonable. The

issues raised by SDG&E/SoCalGas were described in prepared testimony attached to its comments.¹

In the rulings of August 25, 2010 and September 15, 2010, we stated that a written ruling would issue in early October 2010 on whether material contested issues of fact existed pertaining to the proposed settlement and whether an evidentiary hearing is needed; and, if necessary, to revise the procedural schedule to adequately address pipeline safety, integrity and reliability concerns raised by the September 9, 2010 events. This revised scoping memo provides that direction.

3. Contested Issues and Proposed Gas Accord V Settlement

SDG&E/SoCalGas have raised three issues the settlement parties addressed in the proposed Gas Accord V Settlement. These three issues are: (1) should SoCalGas be able to use its capacity on PG&E's Redwood backbone transmission path to deliver its gas within PG&E's citygate;² (2) whether G-XF³ shippers, such as SoCalGas, should be allowed to participate in the revenue sharing mechanism set forth in Section 10 of the proposed settlement; and (3) whether the G-XF rate charged to SoCalGas should be lower than what was agreed to in the proposed settlement. The other issue raised by SDG&E/SoCalGas is whether PG&E should be required to post on its

¹ Concurrent rebuttal testimony which responds to the issues raised by SDG&E/SoCalGas was served on October 11, 2010.

² The "citygate" refers to the contractual intersection of PG&E's backbone and local transmission systems.

³ PG&E's Schedule G-XF applies to pre-existing customers who hold a Pipeline Expansion Firm Transportation Service Agreement approved by the Commission.

PipeRanger website the same type of gas storage information required to be posted by the Federal Energy Regulatory Commission.

We find that SDG&E/SoCalGas raise material contested issues of fact which require an evidentiary hearing. As previously stated in the August 25, 2010 and the September 15, 2010 rulings, the evidentiary hearing on the issues raised by SDG&E/SoCalGas shall be held at the Commission's hearing room in San Francisco on October 25, 2010, beginning at 10:00 a.m., and continuing through October 27, 2010.

The comments of PG&E and the reply comments of the other settlement parties provided responses to the three questions raised in the September 15, 2010 ruling. The parties point out that the proposed settlement agrees to 92% of the monies that PG&E requested for pipeline integrity activities over the four-year period, and to 98% of the monies that PG&E requested for pipeline safety and reliability efforts. The settlement parties also recognize that PG&E commits to spending the full amount that the proposed settlement has set aside for pipeline integrity activities and for pipeline safety and reliability efforts, and that the one-way balancing account agreed to in the proposed settlement will help ensure that PG&E spends all of the designated operations and maintenance monies for pipeline integrity activities. PG&E and the other settlement parties believe, however, that PG&E should continue to have the flexibility and discretion to reprioritize its pipeline integrity activities and pipeline safety and reliability efforts during the four-year rate cycle, and any additional requirements that may be imposed on PG&E as a result of the September 9, 2010 events should be addressed in a separate proceeding.

As described in the next section of this ruling, the Commission can order certain actions in the short term to ensure the safety and reliability of PG&E's gas

transmission and storage system over the upcoming four-year rate cycle. The Commission also can order PG&E to provide reports on its pipeline integrity activities and its pipeline safety and reliability efforts over the same period.

In order to timely address the joint motion to adopt the proposed settlement, the issues raised by SDG&E/SoCalGas, and to ensure that pipeline integrity, safety, and reliability concerns are adequately addressed in the upcoming four-year rate cycle, it is our intent to move quickly on issuing a proposed decision following the evidentiary hearings and the filing of briefs on the SDG&E/SoCalGas issues. We anticipate that a proposed decision on these issues will be issued on or about February 7, 2011.

PG&E mentioned in its May 12, 2010 motion to amend the procedural schedule that if a decision in this proceeding occurs after January 1, 2011, that it “will file a motion requesting authority to include a ‘catch-up’ adjustment (or credit) to rates going forward (upward or downward) from the date that decision is issued to the end of 2011.” The purpose of this catch-up or credit is to provide PG&E with the opportunity to recover the settled or litigated revenue requirement for 2011 as though the rates were effective on January 1, 2010. Section 1.9 of the proposed Gas Accord V settlement contains similar language. On October 8, 2010, PG&E filed a motion requesting that a Commission decision be issued before December 21, 2010 making the “Gas Accord V Revenue Requirements and Rates Effective January 1, 2011.”⁴ At this stage and depending

⁴ We note that if a decision on PG&E’s October 8, 2010 motion is not issued by the end of 2010, that section 2.3.2. of the Gas Accord IV settlement in D.07-09-045 provides in part that the interim transmission and storage rates beginning January 1, 2011 will equal the rates in effect on December 31, 2010, plus a two percent escalator for local transmission rates.

on the content of any response to PG&E's motion, we anticipate issuing a separate proposed decision on PG&E's motion in time for the Commission to act before the end of 2010.

Thus, the contested issues and the joint motion to adopt the proposed Gas Accord V settlement will follow the schedule as discussed above and set forth in detail in section 5 herein.

4. New Phase Addressing Gas Transmission and Storage Safety Concerns

Due to the Rancho Cordova, San Bruno explosion and fire and other safety related concerns, a new phase will be added to this proceeding to address immediate actions this Commission and PG&E may take to ensure the integrity, safety, and reliability of PG&E's gas transmission and storage operations during the upcoming four-year rate cycle. Opening a new phase into these safety concerns is justified in light of the above issues and will ensure that PG&E "shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities ... as are [necessary] to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." (Pub. Util. Code § 451.)

The opening of this new "safety phase" is to focus on ensuring the safe operation of PG&E's gas transmission and storage operations, to monitor the pipeline integrity activities and pipeline safety and reliability efforts, and to ensure that safety and emergency protocols are in place so that PG&E and first responders can react quickly to similar events over this four-year rate cycle and in the future. This phase will address the straightforward protocols and procedures that PG&E should be ordered to take in the coming months in order to prevent a repeat of this kind of catastrophe.

This new safety phase is to be distinguished from the National Transportation and Safety Board's investigation into the cause of the explosion, this Commission's fact finding investigation and panel recommendations, any proceedings that may be opened as a result of the Commission's investigation and panel recommendations, and any federal or state legislation that may be adopted.

Accordingly, this revised scoping memo adds a new safety phase to this proceeding to address how the safety concerns raised by the San Bruno explosion and fire can be avoided by PG&E over the four-year rate cycle and beyond. This safety phase will ask parties to file opening and reply comments on the types of protocols and procedures that the Commission should immediately order to ensure the safe operation of PG&E's gas transmission and storage operations over the next four years. The types of protocols and procedures are as follows:

- (1) PG&E's disaster and emergency response plan. On October 12, 2010, PG&E announced its Pipeline 2020 Program. As part of this program, PG&E plans to expand the use of automatic or remotely operated shut-off valves, and to work with local communities, public officials, and first responders over pipeline safety. Pending the implementation of these Pipeline 2020 Program elements, what steps are in place, or what does PG&E plan to do to ensure that PG&E personnel can be rapidly deployed and transported to incident areas in the event of gas leaks or gas explosions? What type of coordination exists between PG&E and city, county and state emergency personnel? Are PG&E emergency contact numbers updated and provided to emergency personnel on a regular basis? Can these procedures be improved upon in light of the San Bruno explosion and fire?
- (2) On or about October 5, 2010 PG&E announced it would provide to fire departments, upon request, location information about PG&E's gas transmission lines and the shut-off valves. What steps has PG&E taken to inform city, county, and state emergency personnel about the availability of this type of information? Should additional information or steps be taken to ensure that emergency personnel have the type of

information that they need to assess and manage situations involving PG&E's gas transmission lines?

- (3) How frequently are gas transmission and gas storage shut-off valves tested or monitored to ensure that they are in operating order?
- (4) What procedures should PG&E have in place to ensure that it timely notifies the Commission of its reprioritization of its capital expenditures associated with its gas transmission lines, and what procedures should the Commission staff adopt to review and monitor the reprioritization of these capital expenditures.
- (5) Other safety-related protocols or procedures that the Commission should require of PG&E during the rate cycle.
- (6) Are workshops and/or evidentiary hearings needed to determine the protocols and procedures PG&E should be required to have in place during the upcoming rate cycle?

Opening comments on these issues shall be filed with the Docket Office and served on the service list by November 22, 2010. The reply comments shall be filed and served by December 27, 2010. After reply comments are filed, a ruling will issue on how this phase of the proceeding will proceed. It is anticipated that a proposed decision on this safety-related phase will be issued shortly after the proposed decision on the SDG&E/SoCalGas issues and the joint motion to adopt the Gas Accord V settlement is issued.

5. Procedural Schedule

As set forth in today's revised scoping memo and prior rulings, the procedural schedule shall be as follows:

Event	Date
Joint Motion to Adopt Gas Accord V Settlement	Filed August 20, 2010
Joint Testimony of Settlement Parties, and SDG&E/SoCalGas testimonies served.	September 20, 2010
SDG&E/SoCalGas objections to the proposed settlement, and comments on the pipeline safety, integrity, and reliability concerns in relationship to the proposed settlement filed.	September 20, 2010
Reply comments by non-PG&E settlement parties to PG&E's September 20, 2010 comments.	September 30, 2010
Concurrent rebuttal testimony to be served.	October 11, 2010
Revised scoping memo issued.	October 14, 2010
Responses to PG&E's October 8, 2010 motion to be filed.	October 25, 2010
Evidentiary hearing to be held on the SDG&E/SoCalGas issues at the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco.	October 25, 2010 at 10:00 a.m., through October 27, 2010, as needed.
Opening briefs to be filed on SDG&E/SoCalGas issues, including request for oral argument, if requested.	November 5, 2010
Proposed decision to issue on PG&E's October 8, 2010 motion.	On or before November 16, 2010.
Opening comments to be filed on the safety phase issues.	November 22, 2010

Commission consideration of proposed decision on PG&E's October 8, 2010 motion.	On or before December 16, 2010.
Reply comments to be filed on the safety phase issues.	December 27, 2010
Ruling on procedural schedule for safety phase issues.	Early January 2011
Proposed decision issued on SDG&E/SoCalGas issues and joint motion to adopt proposed settlement.	About February 7, 2011
Commission consideration of proposed decision on SDG&E/SoCalGas issues and joint motion to adopt proposed settlement.	On or before March 10, 2011.
Proposed decision issued on safety phase issues.	About February or March 2011.
Commission consideration of proposed decision on safety phase issues.	About March or April 2011.

Pursuant to Pub. Util. Code § 1701.5, it is expected that this proceeding will be completed within 18 months from the date this revised scoping memo is issued.

6. Presiding Officer

Administrative Law Judge John S. Wong is the presiding officer for this proceeding, as stated in the initial scoping memo.

7. Categorization and Ex Parte Communications

In the initial scoping memo, the categorization of this proceeding was confirmed as ratesetting. No one appealed that categorization.

Since the initial scoping memo and this revised scoping memo determine that an evidentiary hearing is needed, ex parte communications shall be permitted as provided for in Rules 8.2, 8.3, and 8.5 of the Commission's Rules of Practice and Procedure.

IT IS RULED that:

1. The issues raised by San Diego Gas & Electric Company and Southern California Gas Company shall be the subject of an evidentiary hearing beginning October 25, 2010 at 10:00 a.m., and each day thereafter through October 27, 2010, in the Commission's Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco.

2. The scope of this proceeding is amended as set forth in sections 3 and 4 of this revised scoping memo.

3. A new safety phase is added to this proceeding to address safety concerns related to Pacific Gas and Electric Company's gas transmission and storage operations during the upcoming four-year rate cycle.

4. Parties may file and serve opening comments on the safety phase issues described in section 4 of this revised scoping memo by November 22, 2010, and reply comments are to be filed and served by December 27, 2010.

5. The contested issues and the safety phase issues shall follow the procedural schedule set forth in section 5 of this ruling.

Dated October 15, 2010, at San Francisco, California.

/s/ TIMOTHY ALAN SIMON
Timothy Alan Simon
Assigned Commissioner

/s/ JOHN S. WONG
John S. Wong
Administrative Law Judge

INFORMATION REGARDING SERVICE

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Dated October 15, 2010, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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