

Decision 24-01-007 January 11, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In The Matter of the Application of
San Diego Gas & Electric Company
(U902G) and Southern California Gas
Company (U904G) for a Certificate of
Public Convenience and Necessity for the
Pipeline Safety & Reliability Project.

Application 15-09-013

DECISION CLOSING THE PROCEEDING

Summary

This decision closes Application 15-09-013 because there are no remaining issues ripe for consideration in this proceeding. The only remaining issues related to the reasonableness determination of the costs incurred to execute the Line 1600 Pipeline Safety Enhancement Plan projects are appropriate to be considered in San Diego Gas & Electric Company and Southern California Gas Company's future General Rate Case. The proceeding is closed.

1. Background

On September 30, 2015, San Diego Gas & Electric Company and Southern California Gas Company (SoCalGas) (jointly, Applicants) filed Application (A.) 15-09-013 requesting a certificate of public convenience and necessity (CPCN) to construct approximately 47 miles of a 36-inch diameter natural gas transmission pipeline, identified as Line 3602, in San Diego County.

On June 26, 2018, the California Public Utilities Commission (Commission) issued Decision (D.) 18-06-028 that, among other things, denied the issuance of the CPCN. That decision directed the Applicants to submit new information to the Commission's Safety and Enforcement Division (SED) including a hydrostatic test or replace plan pertaining to the existing 49.7-mile Line 1600 corridor.

D.18-06-028 required the Applicants to include in their submittal of new information a discussion of two options:

1. Whether to hydrotest the entire 49.7 miles of line and replace segments that fail the test; or
2. To replace all pipeline segments in HCAs¹ along Line 1600, thus ensuring a new pipeline without vintage pipeline characteristics that increase the risk of Line 1600.

On September 26, 2018, the Applicants submitted a proposed hydrostatic test or replacement plan (Plan) discussing the foregoing two options in four different configurations or design alternatives.

1. Replacing 37 miles of Line 1600 pipeline in HCAs and hydrotesting 13 miles of Line 1600 pipeline in non-HCAs (Replace in HCA/Test in Non-HCA alternative);
2. Hydrostatic strength testing (hydrotest or test) the entire length of Line 1600 (Full Hydrotest alternative);
3. Full replacement of Line 1600, routing in nearby streets in the north (Full Replacement in Nearby Streets alternative); and

¹ In 81 Federal Register 90062, the Pipeline and Hazardous Materials Safety Administration noted that pipeline operators need to identify those segments of their pipeline systems that pose the greatest risk to human life, property, and the environment, and to take extra precautions to ensure their safety. These higher-risk or consequence areas are known as High Consequence Areas or "HCAs."

4. Full replacement of Line 1600, routing along Highway 395 in the north (Full Replacement Along Highway 395 alternative).

On January 15, 2019, the Deputy Director of SED sent a letter to the Senior Vice President of SoCalGas, Gas Operations and System Integrity approving Design Alternative 1, as described above.

On January 15, 2019, upon receipt of SED's approval of Design Alternative 1, the Applicants moved forward to begin detailed engineering design and specifications, development, construction planning and preliminary permitting work.

On May 31, 2019, The Protect Our Communities Foundation (PCF), Sierra Club, Southern California Generation Coalition, and The Utility Reform Network (TURN) (collectively, Petitioners) filed a joint Petition for Modification (PFM) of D.18-06-028 seeking relief related to the consideration of California Environmental Quality Act (CEQA) issues and issues related to the approval of Design Alternative 1.

On February 12, 2020, the Commission issued D.20-02-024 that resolved the May 31, 2019 PFM. This decision denied Petitioners' request to reconsider issues related to CEQA and selection of the unapproved other design alternatives.

The Protect Our Communities Foundation independently filed an Application for Rehearing of D.20-02-024. Additionally, Southern California Generation Coalition, TURN, Sierra Club, and The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) jointly filed an Application for Rehearing of D.20-02-024. These Applications for Rehearing sought relief related to CEQA issues, approval of the Line 1600 Plan, and cost issues related to Design Alternative 1.

On December 3, 2020, the Commission issued D.20-12-014 modifying D.20-02-024 and denying rehearing. The Protect Our Communities Foundation filed a Petition for Review of D.20-12-014 in the California Supreme Court, which was denied on June 30, 2021.

2. Cost Considerations and Reasonableness Review and Cost Recovery

D.20-02-024 left the proceeding open and directed the Applicants to file specific information within six months after the issuance of that decision, as noted in Ordering Paragraph (OP) 4.

Applicants shall file cost information that includes, but is not limited to: the Class Three cost forecast for all Line 1600 segments, cost estimating methodology, proposed accounting treatment, contingency factor assumptions, cost containment strategies, and proposed schedule for applications for reasonableness review and cost recovery, supported by direct testimony and workpapers, of the work to implement the SED-approved hydrostatic test or replacement plan to the Commission for review, with service to the parties in the proceeding.²

D.20-02-024 additionally authorized parties to file comments on the items described in OP 4.

Within 30 days of the filing of Southern California Gas Company and San Diego Gas and Electric Company's Line 1600 hydrostatic test or replacement plan cost forecast as referred to Ordering Paragraph 4 above, parties in this reopened proceeding shall file comments.

On August 12, 2020, the Applicants complied with OP 4 of D.20-02-024 by filing the *Line 1600 Test or Replacement Plan Cost Forecast for Phase 2*.

² D.20-02-024 at OP 4.

On September 1, 2020, the assigned Administrative Law Judge (ALJ) issued a ruling that directed the parties to file a joint matrix that addresses the August 12, 2020 compliance filing. This ruling directed parties to file the joint matrix on the same timeframe as was provided in OP 8 of D.20-02-024. On September 11, 2020, the following parties filed the joint matrix, the Applicants, The Protect Our Communities Foundation, Cal Advocates, and Southern California Generation Coalition.

Following this, the Commission issued D.20-12-014 that resolved the pending Applications for Rehearing. That decision modified D.20-02-024 to clarify that because “Design Alternative 1 is in effect as legally required, the cost of a different alternative is not relevant.”³ That decision further clarified that the “Line 1600 test and replacement project is exempt from CEQA as a ministerial project under Public Resources Code section 21080, subdivision (b)(1).”⁴

As a general rule, the Commission examines cost recovery and reasonableness review of Pipeline Safety Enhancement Plan (PSEP) projects in the utility’s associated General Rate Case (GRC). D.16-08-003 states that the Applicants are “authorized to include in their 2019 General Rate Case (GRC) application all Pipeline Safety Enhancement Plan costs not the subject of prior applications . . . Future GRC applications could include Pipeline Safety Enhancement Plan costs until implementation of the Plan is complete.”⁵ The Applicants also affirm that they will seek a reasonableness determination and associated cost recovery for the Line 1600 PSEP projects in their 2028 GRC.⁶

³ D.20-12-014 at OP 1(a).

⁴ D.20-12-014 at OP 1(d).

⁵ D.16-08-003 at OP 5-16.

⁶ September 11, 2020 Joint Filing Following Meet and Confer at Attachment Row 12.

3. Resolution of Remaining Issues and Closure of Proceeding

As noted above, the Commission directed the Applicants to file specific information regarding construction and cost parameters with the associated Line 1600 PSEP projects. The Commission also directed the parties to this Application to file a joint response to the information regarding the Line 1600 PSEP projects filed by the Applicants.

The Applicants complied with the direction provided by the Commission, and parties were offered the opportunity to supplement the record with additional information and analysis.

Additionally, as noted above, the Commission decision that resolved the Applications for Rehearing in this proceeding outlined that because “Design Alternative 1 is in effect as legally required, the cost of a different alternative is not relevant.”⁷

In the preceding time since the Commission issued D.20-12-014, substantial work has taken place on the construction and completion of the Line 1600 PSEP projects. Further, the record demonstrates that the Applicants’ GRC is the appropriate venue to litigate issues regarding the cost reasonableness and recovery associated with these projects. For the conservation of agency and party resources, and to ensure that duplication of work is avoided, further cost issues related to these projects shall be considered and resolved in the Applicants’ appropriate GRC. With the issuance of D.20-02-024 and D.20-12-014, the remaining issues in this proceeding are resolved, and there are no additional outstanding issues to be resolved in this proceeding. As such, this proceeding is closed.

⁷ D.20-12-014 at OP 1(a).

3.1. Submission Date

This matter was submitted on September 11, 2020, upon the filing of the *Joint Filing Following the Meet and Confer*.

4. Comments on Proposed Decision

The proposed decision of ALJ Brian Stevens in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on December 28, 2023, by PCF, and reply comments were filed on January 2, 2024, by the Applicants.

PCF proposes several modifications to the proposed decision (PD). The Applicants oppose any modifications and support the PD in its current form. These comments have been reviewed and considered. We are not persuaded by PCF's comments and the proposed changes to the PD, as discussed below.

As already noted in the PD, the reasonableness of the actual costs of implementing the Line 1600 Plan will be litigated in the Utilities' next GRC. This will eliminate duplicative work of litigating estimates rather than actual costs. Thus, we find no need to examine the Utilities' testimony about the cost estimates for the Line 1600 Plan at this time. In addition, the record of this proceeding does not support PCF's claim of any missing information in the filings. Moreover, we previously rejected PCF's claims that the Utilities were required to submit "CPCN information," an "851 application," "CEQA documentation," and "cost analysis under PUC 1003(d)" with their Line 1600 Plan when we denied PCF's Application for Rehearing of D.20-02-024,⁸ and the California Supreme Court also denied PCF's Verified Petition for a Writ of

⁸ D.20-12-014 at 5-7, 17-18, and 22-23.

Review (which argued that the Commission erred in D.20-02-024 by not requiring CEQA review and a CPCN application for the Line 1600 PSEP).

In sum, the PD will not be modified.

5. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Brian Stevens is the assigned ALJ in this proceeding.

Findings of Fact

1. On September 30, 2015, A.15-09-013, the Applicants requested a CPCN to construct approximately 47 miles of a 36-inch diameter transmission pipeline, identified as Line 3602, in San Diego County.
2. On June 26, 2018, the Commission issued D.18-06-028 that denied the requested CPCN to construct the proposed Line 3602.
3. In D.18-06-028, the Commission directed the Applicants to submit, to the SED, a hydrostatic test or replace plan pertaining to the existing 49.7-mile Line 1600 corridor.
4. On September 26, 2018, the Applicants submitted a proposed hydrostatic test or replacement plan pertaining to the existing 49.7 miles of Line 1600 to SED, the plan providing evaluation of four potential design alternatives for the pressure test or replacement of 49.7 miles of Line 1600 in its present corridor.
5. On January 15, 2019, the Deputy Director of SED sent a letter to the Senior Vice President of SoCalGas, Gas Operations and System Integrity approving Design Alternative 1, consisting of replacing 37 miles of Line 1600 pipeline in HCAs and hydrotesting 13 miles of Line 1600 pipeline in non-HCAs (Replace in HCA/Test in Non-HCA alternative) at \$677 million comprised of 19 PSEP projects.

6. On January 15, 2019, upon receipt of SED's approval of Design Alternative 1, the Applicants began detailed engineering design and specifications, development, construction planning and preliminary permitting work.

7. On August 12, 2020, the Applicants filed the *Line 1600 Test or Replacement Plan Cost Forecast for Phase 2*.

8. As a general rule, the Commission examines cost recovery and reasonableness review of PSEP projects in a GRC proceeding.

9. The Applicants affirm they will seek a reasonableness determination and associated cost recovery for the Line 1600 PSEP projects in their 2028 GRC.

10. Since the Commission issued D.20-12-014, substantial work has taken place on the construction and completion of the Line 1600 PSEP projects.

11. The Applicants' GRC is the appropriate venue to litigate issues regarding the cost reasonableness and recovery associated with these projects.

12. It is critical to ensure that Commission and party resources are conserved through the elimination of duplicative work.

Conclusions of Law

1. The Applicants have complied with OP 4 of D.20-02-023.

2. The Applicants should raise and litigate the cost reasonableness and recovery issues associated with the Line 1600 PSEP projects in the Applicants' GRC proceedings.

3. No further litigation of the cost forecast should occur in this proceeding.

4. With the issuance of D.20-02-024 and D.20-12-014, the remaining issues in this proceeding are resolved.

5. The proceeding should be closed.

O R D E R

IT IS ORDERED that Application 15-09-013 is closed.

This order is effective today.

Dated January 11, 2024, at San Francisco, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Shiroma, being absent,
did not participate.