

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In The Matter of the Application of San Diego Gas
& Electric Company (U 902 G) and Southern California
Gas Company (U 904 G) for a Certificate of Public
Convenience and Necessity for the Pipeline Safety &
Reliability Project

Application 15-09-013

**REPLY OF APPLICANT SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G)
AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
TO PROTEST TO APPLICATION**

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I. INTRODUCTION

Pursuant to Rule 2.6(e) of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure (Rules), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) hereby reply to five protests of SDG&E and SoCalGas’ (collectively, the Applicants) September 30, 2015 Application (Application) in the above-captioned proceeding. Protests were submitted by the Office of Ratepayer Advocates (ORA), Utility Consumer’s Action Network (UCAN), The Utility Reform Network (TURN), Southern California Generation Coalition (SCGC), and City of Long Beach, Gas and Oil Department (Long Beach).¹ As discussed below, the protests do not provide a valid objection to the authority sought in the Application.

II. BACKGROUND

SDG&E and SoCalGas filed this application for the purpose of enhancing natural gas pipeline safety and to comply with the Commission approved Pipeline Safety Enhancement Plan (PSEP). In Decision (D.) 14-06-007, the Commission directed the “applicants to implement

¹ Shell Energy North America (US), L.P. (Shell) submitted a response to the Application, rather than a protest. In its response, Shell does not take a position on the Proposed Project.

Safety Enhancement now”² and Public Utilities Code §958(a) requires that the “comprehensive pressure testing implementation plan shall provide for testing or replacing all intrastate transmission lines as soon as practicable.”³

Investor-owned utilities may choose, but are not required, to request a certificate authorizing the new construction of certain major gas line facilities within territory already served by it, as specified under Public Utilities Code (PU Code) sections 1001, 1002, 1002.5, 1003.5 and 1004 *et seq.* of the California Public Utilities Code (P.U. Code); the California Environmental Quality Act (CEQA) of 1970, as amended (California Public Resources Code (PRC) Section 21000 *et seq.*); the CEQA Guidelines as set forth in Title 14 of the California Code of Regulations (CCR), Sections 15000, *et seq.*; and Rules 2.1, 2.2, 2.3, 2.4, 2.5, 3.1, and 3.2 *et al.* of the Commission’s Rules.⁴

Whenever the Commission issues to a gas corporation a certificate authorizing the new construction of any addition to or extension of the corporation’s plant estimated to cost greater than fifty million dollars (\$50,000,000), the Commission shall specify in the certificate a maximum cost determined to be reasonable and prudent for the facility. The Commission shall determine the maximum reasonable and prudent cost using an estimate of the anticipated construction cost, taking into consideration the design of the project, the expected duration of

² D.14-06-007, p. 2.

³ P.U. Code 958 (a)

⁴ P.U. Code 1001 provides that “[t]his article shall not be construed to require any such corporation to secure such certificate for an extension within any city or city and county within which it has theretofore lawfully commenced operations, or for an extension into territory either within or without a city or city and county contiguous to its street railroad, or line, plant, or system, and not theretofore served by a public utility of like character, or for an extension within or to territory already served by it, necessary in the ordinary course of its business.”

construction, an estimate of the effects of economic inflation, and any known engineering difficulties associated with the project.⁵

The Commission reviews such certificate for construction or extension of facilities applications under two concurrent processes: (1) an environmental review pursuant to the CEQA; and (2) the review of project need and costs pursuant to P.U. Code sections 1001 *et seq.* (Certificates of Public Convenience and Necessity (CPCN)).

On September 30, 2015, SDG&E and SoCalGas filed the above captioned Application pursuant to the Commission's Rules to secure a CPCN authorizing construction within territory already served by SDG&E of a new 36-inch-diameter intrastate natural gas pipeline segment (Proposed Project) estimated to cost greater than fifty million dollars (\$50,000,000).⁶ A Proponent's Environmental Assessment (PEA), which addresses each of the CEQA factors for the Proposed Project, was submitted with the Application. SDG&E and SoCalGas noticed the filing of the Application to certain public agencies, legislative bodies, and customers in accordance with Rule 3.2(b)-(d).

Five timely protests to the Application were filed by ORA, UCAN, TURN, SCGC, and Long Beach (Protests). Shell also submitted a timely response to the application (Responses). No other timely protests or responses were filed within 30 days of the date the notice of the filing of the Application first appeared in the Commission's Daily Calendar on Thursday, October 1, 2015. The last day for filing a protest or response was November 2, 2015. Pursuant to Rule 2.6(e) of the Commission's Rules, SDG&E hereby replies to protests and responses within the prescribed time frame.

⁵ P.U. Code 1005.5(a).

⁶ Intrastate natural gas pipelines operate within State borders and link natural gas producers to local markets and to the interstate pipeline network.

III. THE PROTESTS RAISE ISSUES BEYOND THE STATED SCOPE OF THIS PROCEEDING AND FAIL TO COMPORT WITH RULE 2.6

This proceeding was initiated pursuant to the directives contained in Decision (D.) 14-06-007,⁷ and D.11-06-017,⁸ which require SDG&E and SoCalGas, among other things, to pressure test or replace those pipelines that were not pressure tested or lack sufficient documentation of a post-construction pressure test.⁹ SDG&E and SoCalGas' September 30, 2015 Application seeks to do exactly that, and none of the Protests indicate anything to the contrary. However, the Protests attempt to shoe-horn into this proceeding issues that are clearly not within the stated scope of the Application.

For example, the SCGC Protest suggests that the Commission evaluate policies adopted in California “to depress the consumption of fossil fuels...” (SCGC Protest at 6). Additionally, UCAN would like the Commission to investigate “the history of safety and reliability testing...” (UCAN Protest at 3). UCAN would also have the Commission examine “new pipeline safety laws” and the “importance of natural gas reliability.” (UCAN Protest at 4). Each of these issues would carry the Commission and parties well beyond the Commission’s directives for a proceeding seeking a CPCN for a specific pipeline. This proceeding is not a rulemaking on any and all issues possibly relating to natural gas. The Commission should not consider these

⁷ The Decision at pp. 1, 59 [Ordering Paragraph Number 1] adopted the Phase 1 transmission Pipeline Safety Enhancement Plans (“PSEPs”) for SDG&E and SoCalGas.

⁸ This Decision orders all California natural gas transmission operators to develop and file for Commission consideration A Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (Implementation Plans) to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipeline that have not been pressure tested. The Implementation Plans may include alternatives that demonstrably achieve the same standard of safety, but must include a prioritized schedule based on risk assessment and maintaining service reliability, as well as cost estimates with proposed ratemaking.

⁹ Post-construction pressure testing was not required until 1961 with the adoption of Commission G.O. 112; Line 1600 was installed in 1949.

general policy questions in this docket, nor should it cause SDG&E and SoCalGas to have to supplement the information provided in the Applications to address them.

Each of these Protests also fails to comply with Rule 2.6(b) of the Commission's Rules of Practice and Procedure, which provides that:

A protest objecting to the granting, in whole or in part, of the authority sought in an application must state the **facts** or law constituting the grounds for the protest, the **effect of the application on the protestant**, and the **reasons** the protestant believes the application, or a part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the application. (emphases added).

Each Protest is devoid of any indication of how these criteria are met. The UCAN Protest consists merely of areas potentially needing further investigation, such as “[r]eview of data on past situations where the current pipelines have not proven reliant and resilient.” (UCAN Protest at 3). As another example, UCAN asks the Commission to “[e]xamine data used to show current and forecasted capacity requirements of SDG&E territory and gas transmission system.” (UCAN Protest at 4). These two requests, as well as the other five that are not discussed here, do not contain the facts or law constituting the grounds of the protest, the effect of the application on the protestant, or the reasons that the protestant believes that the application is not justified – information required by Rule 2.6(b).

The SCGC, ORA, TURN, and Long Beach Protests similarly do not comply with Rule 2.6(b). The substance of these protests consists of lists of potential issues that the Commission should consider. Even if the listed issues were within the scope of this proceeding—and many are not, as stated by example above—a list of issues does not meet the requirements of Rule 2.6(b). Moreover, Protestants provide no statement of the facts that they would present at hearings if their request for evidentiary hearings were granted.

Rule 2.6(b) assures the Commission that it will expend resources only to investigate well-founded, sufficiently documented, and clearly detailed protests. If a protest is devoid facts, does not contain a statement of the effect of the application on the protestant, or provide reasoning to support its protest, then neither the Commission nor applicants have any way of knowing how to address the protest, or whether there is reason to consider the protest at all. Merely proffering vague and ambiguous assertions or lists of potential issues does not suffice. Thus, the five timely Protests fail to meet the requirements for a protest under the Commission's Rules.

As stated in the Application, SDG&E and SoCalGas agree with the intervenors that evidentiary hearings are likely required. The Applicants further believe that a prehearing conference should be scheduled as quickly as possible to determine the parties, positions of the parties, issues, and other procedural matters. The Applicants respectfully request for the benefit of all parties that that the Commission should address both scope and schedule for this Application as soon as practicable.

IV. GENERAL REPLY

The Protests present a number of interrelated and predictable themes. Certain parties assert that SDG&E and SoCalGas have not justified the Proposed Project;¹⁰ some express concerns regarding the rate design and responsibility for the costs of the project.¹¹

SDG&E and SoCalGas believe the Proposed Project is necessary, and fully justified by the information presented in the Application. Applicants believe the project is the best approach to satisfy the Proposed Project objectives of safety, reliability and resiliency, and operational flexibility and capacity in a reasonable and prudent manner, and that the proposed approach to

¹⁰ See, e.g., ORA Protest at 4, 6; UCAN Protest at 3, 4.

¹¹ See, e.g., Long Beach Protest at 2; UCAN Protest at 3, 4; SCGC Protest at 4.

ratemaking is fair and reasonable. SoCalGas and SDG&E have designed the Proposed Project to meet the needs of the San Diego system and their customers.

SDG&E and SoCalGas will not attempt to substantively respond to the numerous arguments against our Application presented in the Protests. The intervening parties have the right to question the Proposed Project and present reasonable alternatives, and the substance of such arguments and proposals is a matter for testimony, hearings, and CEQA analysis, not reply comments. Likewise, SDG&E and SoCalGas will not attempt to correct all of the numerous factual inaccuracies in the protests.¹² These are also matters that can be best dealt with in discovery, testimony, and hearings.

SDG&E and SoCalGas agree that it is appropriate for parties to conduct reasonable discovery in a ratemaking proceeding, and is prepared to assist the intervenors in their review. SoCalGas and SDG&E also agree with the intervenors that it is appropriate for the Commission

¹² For example, ORA argues that the Commission requires all gas corporations to include in their CPCN applications information pursuant to Rule 3.1(k)(3)(A) and 3.1(k)(3)(B). (ORA Protest at 9). Rule 3.1(k)(3) makes clear that it applies only “[w]here the gas to be transported through the pipeline is to be purchased by the applicant from, or transported by the applicant for, an out-of-state supplier.” The Proposed Project is to construct a new 36-inch-diameter intrastate natural gas pipeline segment within territory already served by SDG&E within the State of California’s borders to replace and augment the transmission capacity of Line 1600 and facilitate implementation of SDG&E’s and SoCalGas’s PSEP, which was approved by the Commission (Decision D.14-06-007) in June 2014. SDG&E is currently a wholesale customer of SoCalGas, and receives all of its natural gas from SoCalGas at the Rainbow and San Onofre meter stations. Likewise, ORA incorrectly insinuates that applications for CPCNs shall contain information pertaining to contracts for delivery and receipt of gas to be transported via the proposed pipeline. (ORA Protest at 8). Rule 3.1(k)(1)(B) provides “[t]he terms and provisions of individual contracts for gas supply and data as to reserves or delivery life of individual gas suppliers shall not be required to be stated in the application or in the record of the proceedings, and if disclosed to the commission or to any officer or employee of the Commission on a confidential bases as herein provided, shall not be made public or be open to public inspection.” Again, the Proposed Project will result in replacement of the existing Line 1600 which transports gas received from SoCalGas. Copies of summaries of all contracts for delivery and receipt of gas currently transported via Line 1600 and/or to be transported via the proposed pipeline are available for inspection by the Commission on a confidential basis.

to carefully scrutinize the purpose, need, and cost of the Proposed Project within the scope of this proceeding.

The remainder of this reply will be devoted to responding to statements in the protests that “plead” for a particular substantive or procedural ruling from the Commission.

V. SPECIFIC REPLY

A. Decision Tree

ORA argues that “Applicants have failed to show they have followed their own decision tree from the Pipeline Safety Enhancement Proceeding, as Line 1600 has been able to be evaluated through in-line inspection (ILI), and the decision tree then calls for pressure-testing rather than immediate replacement of the pipeline.” (ORA Protest at 2). ORA’s argument does not account for other considerations that are relevant to the Applicants’ justification for the Proposed Project that are more comprehensive than the Decision Tree approved by the Commission in D.14-06-007.

Under SoCalGas and SDG&E’s approved Decision Tree, all Phase 1A PSEP pipeline segments are placed within one of three categories: (1) pipeline segments that are 1,000 feet or less in length; (2) pipeline segments greater than 1,000 feet in length that can be removed from service for pressure testing; and (3) pipeline segments greater than 1,000 feet in length that cannot be removed from service for pressure testing with manageable customer impact.¹³ SDG&E and SoCalGas’ previous PSEP testimony¹⁴ described that Line 1600 would fall into the third category— it cannot be removed from service for pressure testing with manageable customer impact. Under the Decision Tree, Line 1600 was therefore identified as falling within Box 6 (Phase 1B), which specifies “Install new line and pressure test existing line” and not box 5

¹³ D.14-06-007, Attachment 1.

¹⁴ A.11-11-002, Exh. SCG-04, D. Schneider Amended Direct Testimony, p. 51.

which indicates “TFI Inspect and Pressure Test.”¹⁵ Additionally, SDG&E and SoCalGas clarified that, as prudent operators, SoCalGas and SDG&E would also “consider cost and engineering factors for the improvement of the pipeline asset.”¹⁶

In preparing this Application, Applicants have used their knowledge and experience to further evaluate whether pressure testing of Line 1600 could be completed with manageable customer impacts. Previous evaluations indicated that customer impacts would be difficult to manage while performing a pressure test, due to the customer impacts and the complicated nature of pressure testing Line 1600. Upon further evaluation, the utilities acknowledge that while pressure testing is technically *possible*, it would be complicated and would not meet the other objectives identified in the purpose and need (enhanced safety through replacement of 1949 vintage pipe, reliability/resiliency, and operational flexibility).

Moreover, as previously described in PSEP testimony and as prudent operators, SDG&E and SoCalGas may identify situations in which spending incremental dollars to replace a pipe segment today will pre-empt asking for further funds in a future regulatory proceeding to make a line piggable, add capacity, or replace sections of a pipeline that qualifies for replacement due to leakage history. Additionally, new lines can have structural advantages compared to earlier vintage lines that improve the overall quality and life of the pipeline asset.¹⁷ As the knowledgeable operators of the SDG&E and SoCalGas integrated transmission system, we believe the Proposed Project best meets PSEP’s test or replace requirement, further enhances safety by “[o]btaining the greatest amount of safety value, i.e., reducing safety risk,”¹⁸ provides

¹⁵ Line 1600 has been in-line inspected except for a section of 14-inch diameter pipeline, which is scheduled for in-line inspection in the fourth quarter of 2015.

¹⁶ A.11-11-002, Exh. SCG-20, R. Phillips Rebuttal Testimony, pp. 8-9.

¹⁷ A.11-11-002, Exh. SCG-20, R. Phillips Rebuttal Testimony, p. 10, lines 10-15.

¹⁸ *Id.* at p.2, line 7.

system reliability/resiliency, and enhances operational flexibility. The Applicants will provide detailed testimony regarding the purpose and need for the Proposed Project and we agree with parties that the need determination should be appropriately addressed in testimony and evidentiary hearings.

B. Schedule

ORA opposes the bifurcated schedule with a first phase of purpose and need and project design issues, and a second, subsequent phase of cost and CEQA issues. (ORA Protest at 2).

“ORA suggests an alternate bifurcation into non-CEQA issues and CEQA issues.” (ORA Protest at 2). ORA asserts that “[t]he determination of need in a CPCN cannot be made without consideration of costs and should be conducted at the same time.” (ORA Protest at 3).

SDG&E and SoCalGas agree that the determination of need in a CPCN cannot be made without some consideration of costs; however, the Applicants proposed bifurcation schedule recognizes that cost estimates for the cost caps required in P.U. Code Section 1005.5 cannot be determined until after the Final EIR has issued. The Final EIR must describe and analyze a reasonable range of potentially feasible alternatives to the proposed project or to its location.¹⁹ (14 CCR §15126.6(a).) The Final EIR need not identify every alternative to the proposed project, but the Final EIR must analyze and identify the significant adverse environmental impacts associated with the alternatives identified. (14 CCR §15126.6(d).) Thus, to effectively and efficiently pursue the bifurcated schedule, including consideration of the costs cap under P.U. Code Section 1001, the preferred alternative for the proposed project must first be analyzed and identified through the CEQA process.

¹⁹ The EIR is not required to fully analyze impacts from all alternatives, but should include a brief description of alternatives that were eliminated from detailed consideration because they were infeasible or for the failure to meet most of the project objectives. (14 CCR § 15126.6(c)).

