

**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

**SUPPLEMENTAL REPLY BRIEF OF  
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) AND  
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING  
SCOPING MEMO SUPPLEMENTAL QUESTION A**

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## I. INTRODUCTION

In supplemental briefs, San Diego Gas & Electric Company and Southern California Gas Company (jointly, Utilities), The Utility Reform Network (TURN), and the Utility Consumers' Action Network (UCAN) all agree that if the maximum allowable operating pressure (MAOP) of Line 1600 is reduced to a hoop stress of less than 20% of its specified minimum yield strength (SMYS), it will be a "distribution line" under federal safety regulations, and respectfully disagree with the contrary analysis in the Safety & Enforcement Division's (SED) December 15, 2017 Analysis and Opinion on Supplemental Question A (SED Advisory Opinion).<sup>1</sup> In addition, Southern California Generation Coalition (SCGC) "strongly opposes changing the definition used by the Applicants in this proceeding if the unintended consequence could be the needless incurrence of billions of dollars of cost elsewhere on the Applicants' extensive high pressure distribution system."<sup>2</sup> All these parties agree that SED's concerns about the future safety of Line 1600 should be addressed directly, and not indirectly through a change in the definition of "distribution center".

## II. THE UTILITIES AGREED TO IMPLEMENT ADDITIONAL SAFETY MEASURES FOR LINE 1600

The SED Advisory Opinion states: "SED will support the continuation of the additional Safety Assurance measures required for a transmission pipeline."<sup>3</sup> As discussed in the Utilities' Supplemental Brief at 12-13, the Utilities already agreed "to incorporate periodic patrols, frequent leak surveys, and above-ground markers of the pipeline consistent with 49 CFR §§ 192.705, 706, and 707 as they apply to transmission into their DIMP plan for a de-rated Line 1600."<sup>4</sup> The Utilities further agreed that, "[a]lthough a de-rated Line 1600 will no longer have the pressures required for conventional in-line inspection, external corrosion direct assessment (ECDA) can be performed, and the Utilities will make the de-rated Line 1600 subject to ECDA at a frequency not exceeding once every seven years in alignment with requirements of TIMP."<sup>5</sup>

The Utilities, TURN, UCAN, and SCGC all agree that a Commission ruling incorporating such commitments for a de-rated Line 1600 would be a more direct way to address any safety concerns arising from operation of Line 1600 as a "distribution line," and oppose adopting a "distribution center" definition that will have significant

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<sup>1</sup> Utilities Supplemental Brief at 4-10; Supplemental Opening Brief of The Utility Reform Network On The Definition and Safety Of Line 1600 (TURN Supplemental Brief) at 3-7; Supplemental Brief of The Utility Consumers' Action Network (UCAN) on The Application Of San Diego Gas & Electric Company For A Certificate Of Public Convenience And Necessity For The Pipeline Safety & Reliability Project (UCAN Supplemental Brief) at 3-8.

<sup>2</sup> Southern California Generation Coalition Supplemental Brief On Supplemental Question A (SCGC Supplemental Brief) at 6; *accord, e.g.*, UCAN Supplemental Brief at 8 ("If the Commission were to adopt SED's interpretation of a distribution center, and if that definition, as applied throughout California, results in reclassification of pipeline assets, it may have significant impacts on rates and could lead to severe adverse customer bill impacts.").

<sup>3</sup> SED Advisory Opinion at 2.

<sup>4</sup> Exh. SDGE-13 (Rebuttal Testimony at 37:9-12, *accord* 35:20-24).

<sup>5</sup> Exh. SDGE-13 (Rebuttal Testimony at 36:4-13).

ramifications across the Utilities' natural gas systems.<sup>6</sup> While conventional in-line inspection (ILI) tools can no longer be used to assess Line 1600 once it is de-rated to a MAOP of 320 psig, (a) Line 1600 has already been pigged so its existing condition is known, (b) ECDA is an approved method for assessing the threat of external corrosion, and (c) greater risk reduction is achieved by reducing pressure, not by maintaining higher pressure so that ILI can be performed.<sup>7</sup>

### III. ORA IGNORES THE RAMIFICATIONS OF REDEFINING THE TERM "DISTRIBUTION CENTER"

The Office of Ratepayer Advocates (ORA) supports the SED Advisory Opinion conclusion that Rainbow Metering Station (Rainbow) is not a "distribution center" and 63 downstream regulators are each a "distribution center," on the same grounds cited by SED.<sup>8</sup> ORA cites the 1974 and 2010 Pipeline and Hazardous Materials Safety Administration (PHMSA) Interpretations relied on by SED, which SED in turn stated had been identified by ORA.<sup>9</sup> The Utilities and TURN explain why these interpretations are not applicable here.<sup>10</sup> ORA does not address the 1991 or more recent 2012 PHMSA Interpretations indicating that a de-rated Line 1600 would be a distribution line.<sup>11</sup> The Utilities responded to ORA's arguments in their Opening Brief at 110-14. ORA fails to logically conclude that, if SDG&E's and SoCalGas' natural gas systems are treated as a single integrated whole, then Line 1600 is downstream of the upstream SoCalGas distribution centers.

ORA does not address the estimated \$20.7 billion initial and un-escalated cost arising from the "distribution center" definition change set forth in the SED Advisory Opinion. Instead, ORA sidesteps the issue, asserting: "The SED Opinion is correct in the case of Line 1600" and further steps should be taken to "clarify how the definition of distribution center should be applied under different circumstances."<sup>12</sup> The Utilities do not see how one definition can be applied to classify one pipeline and another to other pipelines. If Rainbow is not a distribution center for Line 1600, it is not a distribution center for other downstream pipelines. If the Commission agrees with the SED

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<sup>6</sup> TURN Supplemental Brief at 2 ("SED's primary safety recommendation is to ensure continued use of certain "Safety Assurance measures" that are required for transmission lines. TURN fully agrees with these recommendations, but notes that both could be implemented irrespective of whether Line 1600 is classified as a transmission or high pressure distribution pipeline."); UCAN Supplemental Brief at 8 ("Instead of creating new interpretations of pipe line and distribution center definitions, a reasonableness argument can be made to take L1600 out of service, or for managing L1600 as a transmission-like line, for safety purposes."); SCGC Supplemental Brief at 1-2, 6-8 ("SCGC recommends that instead of redefining the term 'distribution center,' SED and the Commission could require the Applicants to apply the transmission-related provisions of 49 Code of Federal Regulations ('CFR') Part 192, Subparts M and O to Line 1600 if Line 1600 were de-rated to distribution service at an MAOP of 320 psig ...").

<sup>7</sup> Exh. SDGE-2 (Sera Prepared Testimony at 5:8-8:16); Exh. SDGE-12 (Supplemental Testimony at 94:18-96:19); Exh. SDGE-13 (Rebuttal Testimony at 36:4-13); 49 CFR §§ 192.921(a)(3), 192.923, 192.925; Utilities' Reply Brief at 157-61.

<sup>8</sup> ORA Supplemental Opening Brief at 3-4.

<sup>9</sup> ORA Supplemental Opening Brief at 3-4; SED Advisory Opinion at 2.

<sup>10</sup> Utilities Supplemental Brief at 9-10; Utilities Opening Brief at 113-14; TURN Supplemental Brief at 4-5, 7.

<sup>11</sup> Utilities Supplemental Brief at 9.

<sup>12</sup> ORA Supplemental Opening Brief at 2.

Advisory Opinion that the locations on the Utilities' natural gas systems where gas first enters piping for delivery for consumption, rather than for re-sale, are not distribution centers, then the PHMSA test is not applicable in California. The SED Advisory Opinion's determination that downstream regulators reducing pressure to 60 psig are distribution centers would result in approximately 3,500 miles of pipeline being reclassified as transmission lines.

The SED Advisory Opinion did not raise any concern about Line 1600's safety records. Nevertheless, ORA renews its claim of "concerns with the accuracy of Line 1600's safety records" and calls for an audit.<sup>13</sup> ORA already made its records reliability claim, to which the Utilities responded in their Reply Brief at 96-146. ORA refuses to accept SED's affirmation that "If Line 1600 is de-rated to 320 psig or less as a permanent MAOP, it will no longer meet the operational definition of a transmission line (i.e., a pipeline operating at greater than 20% SMYS)."<sup>14</sup> While ORA claims it is "not aware of any SED report identifying the scope, methodology or findings of [an SED] audit" of the Utilities' Line 1600 records,<sup>15</sup> ORA is aware that SED stated: "Following the review of SDG&E Direct Testimony, SED visited SDG&E's Miramar office on two occasions (June 22, 2016 and August 9-11, 2017) to review data related to Line 1600 pipeline, including the all specific pipeline characteristics and threats (design of EFW/ERW pipe, construction, operations and maintenance records, ILI data, hook cracks, etc.)."<sup>16</sup> The Utilities request that the Commission take official notice of these indisputable facts.

#### **IV. THE COMMISSION SHOULD IGNORE "OUT OF SCOPE" CLAIMS AND ASSERTIONS**

Protect Our Communities Foundation (POC) disregards the Administrative Law Judge's ruling that attempts to reargue in supplemental briefs positions already taken in prior filings or to present new factual information would be ignored.<sup>17</sup> POC's arguments are beyond the scope and have no merit; further hearings are not needed.

##### **A. Reducing the Pressure on Line 1600 to a Hoop Stress Below 20% of SMYS Will Significantly Enhance Safety, Even Without In-Line Inspection**

In its Supplemental Brief, POC repeats arguments it made in its Opening and Reply Briefs that de-rating Line 1600 to distribution pressures (a hoop stress below 20% SMYS) is less safe than operating Line 1600 at transmission pressure because conventional ILI cannot be performed at distribution pressure.<sup>18</sup> POC again asserts

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<sup>13</sup> ORA Supplemental Opening Brief at 5, 2.

<sup>14</sup> SED Advisory Opinion at 3. ORA also renews its discredited claim about a "Longitudinal Joint Factor (LJF) problem." ORA Supplemental Opening Brief at 2. The Utilities rebutted this claim in their Reply Brief at 125-27, 131-34, 165-67, and LJF is not a factor in calculating hoop stress under Barlows Equation in any event. Exh. SDGE-38.

<sup>15</sup> ORA Supplemental Brief at 5 n.23.

<sup>16</sup> January 16, 2018 Safety and Enforcement Division Response to POC's January 8, 2018 Data Request to SED at 1, served by SED in this proceeding (emphasis added).

<sup>17</sup> December 20, 2017 *Administrative Law Judge's Ruling Setting Aside Submission And Reopening The Record To Enter Safety and Enforcement Division ("SED") Advisory Opinion and San Diego Gas & Electric Company And Southern California Gas Company Response To SED Data Request Into The Record and To Take Supplemental Testimony* (ALJ Ruling) at 2.

<sup>18</sup> See POC Opening Brief at 29-31; POC Reply Brief at 14-17 & Attachment A.

“at the lower pressure, the safety risk of Line 1600 potentially will increase, as the Applicant will no longer gather periodic information on the actual condition of the pipeline through in-line inspections.”<sup>19</sup>

As discussed in the Utilities’ Reply Brief at 157-61, POC is wrong. Experts testified extensively that pressure reduction will enhance the safety of Line 1600. Among much other evidence, Mr. Sera testified that “pressure reduction increases the margin of safety for a critically sized flaw on the leak/rupture boundary by increasing the size of flaw necessary to initiate rupture. The increase in critical flaw size not only improves safety, but also enhances detectability and prolongs the time to failure for all time-dependent threats.”<sup>20</sup> TURN’s witness agreed: “Reducing pressure to below 20% of SMYS minimizes the potential for the pipe to fail by rupture, irrespective of whether the pipeline is classified as transmission or distribution.”<sup>21</sup>

Further, as discussed in the Utilities’ Supplemental Brief at 12-13 and elsewhere, the Utilities agreed to apply safety measures applicable to transmission lines to a de-rated Line 1600 operated as a distribution line.<sup>22</sup> POC ignores such measures, focusing solely on the inability to perform ILI at reduced pressure. POC claims that a “failure to conduct inline inspection can increase risk because the operator lacks the ability to monitor pipeline integrity issues such as corrosion and mechanical damage,” and refers to a 2012 National Transportation and Safety Board (NTSB) accident report regarding a pipeline rupture in West Virginia.<sup>23</sup>

The ALJ Ruling at 2 states that the ALJ will “ignore” efforts to “present new factual information” and the NTSB report is not in evidence. Even if the Commission considered the report, it does not support POC’s point. The NTSB “determine[d] that the probable cause of the pipeline rupture was (1) external corrosion of the pipe wall due to deteriorated coating and ineffective cathodic protection and (2) the failure to detect the corrosion because the pipeline was not inspected or tested after 1988.”<sup>24</sup> Line SM-80 ruptured at a pressure of “about 929 psig.”<sup>25</sup>

By contrast, Line 1600 underwent ECDA in 2007, “a series of ILI surveys from December 2012 to December 2015” as well as follow-up direct examinations, and further AMFL ILI in 2016 pursuant to Resolution SED-1.<sup>26</sup> Thus, the Utilities have detailed information on Line 1600’s current condition. Moreover, the Utilities propose to continue performing ECDA on Line 1600,<sup>27</sup> which is an approved integrity assessment method for

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<sup>19</sup> Protect Our Communities Foundation Comments On SED Opinion (POC Supplemental Brief) at 4.

<sup>20</sup> Exh. SDGE-2 (Sera Prepared Testimony at 19:5-10).

<sup>21</sup> TURN Opening Brief at 47 (emphasis added).

<sup>22</sup> Exh. SDGE-13 (Rebuttal Testimony at 35:20-36:8); Utilities’ Reply Brief at 161, 179; Utilities’ Opening Brief at 115-17.

<sup>23</sup> POC Supplemental Brief at 5-6.

<sup>24</sup> <https://www.nts.gov/investigations/AccidentReports/Reports/PAR1401.pdf> (NTSB Report at vi). The Utilities do not waive their objection to consideration of the NTSB Report as outside the evidentiary record by responding to POC’s claim.

<sup>25</sup> NTSB Report at vi.

<sup>26</sup> Exh. SDGE-2 (Sera Prepared Testimony at 5:8-8:16); Exh. SDGE-12 (Supplemental Testimony at 94:18-96:19).

<sup>27</sup> Exh. SDGE-13 (Rebuttal Testimony at 36:4-13).

external corrosion,<sup>28</sup> designed to detect external corrosion of the type NTSB found caused Line SM-80 to rupture. In addition, the West Virginia pipe failed at 929 psig (55% of SMYS),<sup>29</sup> whereas a de-rated Line 1600 would be operated at 320 psig (less than 20% of SMYS). As noted above, rupture is unlikely at less than 20% SMYS.

The Commission should ignore POC's argument as the SED Advisory Opinion does not address whether the safety enhancement benefits of reducing the pressure on Line 1600 are outweighed by the inability to perform conventional ILI. POC's regurgitation of previous arguments and effort to introduce new factual evidence should be ignored. The 2012 NTSB Report, which POC did not timely introduce, is not grounds to re-open hearings.

#### **B. The Southern 4.7 Miles of Line 1600 Are Not Pertinent to These Issues**

To bolster its claim that Line 1600 is "safe and reliable at an MAOP of 512 psig," POC states its impression that the Utilities intend to "continue to operate the last 4.7 miles of Line 1600 ... at a MAOP of 512 psig indefinitely."<sup>30</sup> Although Exh. SDGE-46 (the Draft PHMSA Package at 4) says otherwise, POC claims it "is not aware of any place in the record that SDG&E has stated that "CPUC's decision regarding the northern 45 miles of Line 1600 would guide its approach to the southern section of Line 1600 for approximately 5 miles."<sup>31</sup> Although the Utilities' Opening Brief at 1 n.1 informed POC of the Utilities' position, it appears POC's counsel, having declined to sign a Non-Disclosure Agreement, was not in the hearing room when Mr. Kohls testified to that effect, adding: "So if the Commission orders us to de-rate Line, 1600 it's likely that we would de-rate the southern 4.7 miles as well."<sup>32</sup> The Utilities have not stated that they would continue to operate the southern 4.7 miles at 512 psig if the northern 45 miles are de-rated to 320 psig.

POC asks to re-open evidentiary hearings "to determine Applicant's plans for all of Line 1600."<sup>33</sup> Mr. Kohls explained why the southern 4.7 miles were not included as part of this Application,<sup>34</sup> a subject that POC's counsel could have, but did not, explore in cross-examination. POC's request to re-open hearings should be denied.

#### **V. CONCLUSION**

The Utilities respectfully recommend that the Commission: (a) not adopt the SED Advisory Opinion's proposed "distribution center" definition; (b) find that Line 1600 would be a distribution line once de-rated to a MAOP less than 20% of SMYS; and (c) accept the Utilities' proposed specific measures for operating and maintaining Line 1600 as a distribution line.

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<sup>28</sup> 49 CFR §§ 192.921(a)(3), 192.923, 192.925.

<sup>29</sup> 55% of SMYS is the calculated value of pipeline SM-80 at 929 psig using a 20 inch diameter, 0.281 inch wall thickness, and X60 pipe. NTSB Report at 4, 24.

<sup>30</sup> POC Supplemental Brief at 9.

<sup>31</sup> POC Supplemental Brief at 9.

<sup>32</sup> Phase 1 Hearing Transcript at 513:24-514:8 (Utilities-Kohls). The Utilities do not consider this statement to be confidential.

<sup>33</sup> POC Supplemental Brief at 10.

<sup>34</sup> Tr. at 514:9-518:22 (Utilities-Kohls).

Dated in San Diego, California, this 2nd day of February 2018.

Respectfully submitted,

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