

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

Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2016.

Application No. 14-11-003  
(Filed November 14, 2014)

Application of Southern California Gas Company (U 904 G) for Authority to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2016.

Application No. 14-11-004  
(Filed November 14, 2014)

**REPLY COMMENTS  
ON JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENTS  
REGARDING SOUTHERN CALIFORNIA GAS COMPANY'S TEST YEAR 2016  
GENERAL RATE CASE, INCLUDING ATTRITION YEARS 2017 AND 2018**

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**I. INTRODUCTION**

Pursuant to Rule 12.2 of the Commission’s Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”), San Diego Gas & Electric Company (“SDG&E”), Office of Ratepayer Advocates (“ORA”), The Utility Reform Network (“TURN”), Utility Consumers’ Action Network (“UCAN”), Federal Executive Agencies (“FEA”), Joint Minority Parties (“JMP”), and the Environmental Defense Fund (“EDF”) (collectively, “Settling Parties”<sup>1</sup>) jointly submit reply comments to the opening comments filed by the Utility Workers Union of America (“UWUA”).<sup>2</sup> Opening comments regarding the SoCalGas TY 2016 Settlement Agreement (“Settlement Agreement”) were limited to those filed by UWUA, a Settling Party and signatory to the Settlement Agreement as well as a named co-filing party to the joint motion requesting approval of the Settlement Agreement.<sup>3</sup> No other Settling Party filed opening

<sup>1</sup> Although the Utility Workers Union of America (“UWUA”) is a member of Settling Parties, UWUA is not included in the term “Settling Parties” for purposes of identifying those parties jointly filing these reply comments.

<sup>2</sup> *Brief of Utility Workers Union of America (UWUA) Supporting Joint Motion for Adoption of Settlement Agreements Regarding Southern California Gas Company’s Test Year 2016 General Rate Case, Including Attrition Years 2017 and 2018*, filed October 12, 2015 (“opening comments”)

<sup>3</sup> *Joint Motion for Adoption of Settlement Agreements Regarding Southern California Gas Company’s Test Year 2016 General Rate Case, Including Attrition Years 2017 and 2018*, filed September 11, 2015 (“Joint Motion”).

comments to the Joint Motion. Although UWUA's opening comments were filed in support of the Settlement Agreement, UWUA, on its own accord and separately from Settling Parties, is additionally requesting "other relief" in the form of additional Commission directives it seeks to have included as part of the final GRC decision.<sup>4</sup>

## II. THE JOINT MOTION AND SETTLEMENT AGREEMENT

Settling Parties recognize UWUA's contribution to the record in providing testimonies from various witnesses who provided their viewpoints, opinions, and observations on the safety and reliability of the SoCalGas system, workforce levels, and adequacy of mentoring and training, among other things. However, UWUA is not correct in asserting that UWUA's testimonies were uncontradicted as they pertained to policy matters in the scoping memo.<sup>5</sup> Many of UWUA's assertions and recommendations were in fact contested or addressed for purposes of clarification by multiple SoCalGas witnesses in rebuttal testimony and evidentiary hearings.<sup>6</sup> Further, UWUA was not the only Settling Party to help build the record on safety and reliability issues. However, UWUA is the only Settling Party that has re-raised several of its contested recommendations while supporting the Settlement Agreement. The Settlement Agreement states:

This TY 2016 Settlement Agreement provides an overall TY 2016 revenue requirement (and attrition year escalation rates for 2017 and 2018) that Settling Parties believe will allow SoCalGas to operate its system safely, reliably, and efficiently, while keeping customer rates reasonable for the next GRC cycle. The Settling Parties recognize that there is risk involved in litigation and that the Commission, based on the entirety of the record, could reach outcomes that are not fully aligned with any individual party's litigated positions. Accordingly, the Settling Parties have vigorously argued their positions, and have reached compromise positions that they believe are

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<sup>4</sup> UWUA's opening comments at 10, referencing *Opening Brief of Utility Workers Union of America (UWUA)*, filed October 12, 2015.

<sup>5</sup> UWUA opening comments at 4.

<sup>6</sup> See Exhibits ("Exs.") 38 SCG/Musich at 7-10; 48 SCG/Baker at 5; 52 SCG/Martinez at 5-6; 61 SCG/Ayala at 77-79; 91 SCG/Franke at 55-61; and 108 SCG/Serrano at 14-15. During evidentiary hearings, and UWUA's cross examination of these aforementioned SoCalGas witnesses, it was also apparent that SoCalGas disagreed with UWUA assertions and recommendations. See *e.g.*, Tr. V18: 1811:3-1812:4 (Serrano).

appropriate in light of the litigation risks and have the support of the evidentiary record.<sup>7</sup>

The Settlement Agreement plainly states that it is in the public interest to avoid litigation if a compromise can be achieved on outcomes without impairing SoCalGas' ability to operate safely, reliably, and efficiently, while keeping customer rates reasonable, and without precluding any party from raising these issues again in the next GRC or in other viable forums provided for by the Commission.<sup>8</sup> No other Settling Party is seeking to re-introduce their litigated "policy" positions for purposes of requesting that additional relief be adopted in this proceeding.

In addition to the Settlement Agreement, the Joint Motion provides additional perspective into the intended scope of the portfolio of settlements submitted in this proceeding:

Settling Parties propose that this portfolio of settlements adequately resolves the specific contested issues of interest to each signatory without conflict or overlap among the various settlement agreements. While there may be substantive issues, party positions, and other proposals that are not specifically addressed and resolved in settlement, *it is the intent of Settling Parties to move for adoption of these settlements as a complete and final resolution of all issues among them in this proceeding*, with the exception of a tax issue raised by TURN which, as specified in the TURN/UCAN Settlement, is not covered by the settlements and will be the subject of separate briefing.<sup>9</sup>

...

Accordingly, based on the TY 2016 Settlement Agreement and their individual Bilateral GRC Settlements, *the Settling Parties have agreed to resolve all contested issues between them*, with the exception (as noted above) of a tax issue raised by TURN . . . .<sup>10</sup>

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<sup>7</sup> Joint Motion, Attachment 1 (Settlement Agreement) at 1.

<sup>8</sup> *Id.* at 2-3.

<sup>9</sup> Joint Motion at 2 (emphasis added).

<sup>10</sup> *Id.* at 3-4 (emphasis added).

SoCalGas intends on addressing in reply briefs the “other relief” recommendations raised by UWUA in its opening brief, and the appropriateness of re-raising what amounts to previously-contested issues that were raised during the litigation phase of this GRC proceeding.

### **III. THE RECORD AND SETTLEMENTS SUPPORT AN OUTCOME PROMOTING THE EXPECTATION OF SAFE AND RELIABLE SERVICE**

SoCalGas proactively presented evidence in this GRC regarding SoCalGas’ safety culture, policy, practices, and risk management efforts.<sup>11</sup> Other parties, including Settling Parties, have likewise contributed to the record through their review and scrutiny of that evidence. Settling Parties agree the record evidence supports the executed settlements as presented in the Joint Motion.

The next GRC application filed by SoCalGas will be pursuant to the new Rate Case Plan adopted in R.13-11-006.<sup>12</sup> The new Rate Case Plan incorporates safety- and risk-focused elements to the classic GRC showing under the prior Rate Case Plan. However, this all remains an evolving process.<sup>13</sup> Notwithstanding, Settling Parties have tendered before the Commission a portfolio of settlements that is reasonable and in the public interest, and based on a record that contains support for settled outcomes without compromising safety and reliability. As UWUA states in its opening brief, “Transmission and Storage operation, maintenance and capital spending are funded at over 95% of the request for 2016. Distribution operation, maintenance and capital spending are funded at nearly 95% of the original requested amount for 2016.”<sup>14</sup>

The portfolio of settlements also requests approval for a substantial portion of costs requested for pipeline integrity work (*i.e.*, Transmission Integrity Management Program (“TIMP”) and Distribution Management Integrity Program (“DIMP”)), and two-way balancing (with conditions) of TIMP, DIMP, and Storage Integrity Management Program (“SIMP”) costs.<sup>15</sup> Moreover, the portfolio of settlements requests approval to record costs associated with compliance with Senate Bill 1371 in the New Environmental Regulatory Balancing Account

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<sup>11</sup> See *e.g.*, Exs. 1, 13, 14, 17, 18, 19, 20.

<sup>12</sup> Joint Motion at 9.

<sup>13</sup> *Id.*

<sup>14</sup> UWUA’s opening brief at 11.

<sup>15</sup> Joint Motion at Attachment 1 (Settlement Agreement), Exhibit B at B-7; Attachment 4 (TURN/UCAN Settlement) at 2.

(“NERBA”) as proposed by SoCalGas, to the extent costs for leak detection and repair exceed forecasted costs in this GRC cycle.<sup>16</sup>

The portfolio of settlements presented before this Commission supports safe, reliable, and efficient service, even though it does not adopt the specific recommendations UWUA raised during the litigated phase of this proceeding.

#### **IV. POLICY ISSUES ON SAFETY AND RELIABILITY OF UTILITY OPERATIONS ADDRESSED IN MULTIPLE FORUMS BEFORE THE COMMISSION**

There have been, and continue to be, avenues and opportunities for all interested parties, including Settling Parties, to raise issues and argue for recommendations related to safe and reliable service, operational matters, adequacy of workforce, compliance with regulations, etc. To name several:

- (1) Order Instituting Rulemaking on the Commission’s Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms (R.11-02-019),
- (2) Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities (R.13-11-006),
- (3) Order Instituting Rulemaking to Adopt Rules and Procedures Governing Commission-Regulated Natural Gas Pipelines and Facilities to Reduce Natural Gas Leakage Consistent with Senate Bill 1371 (R.15-01-008),
- (4) Application of Southern California Gas Company Safety Model Assessment Proceeding (A.15-05-004), and
- (5) The recent Commission-led Safety En Banc, which UWUA also mentioned.<sup>17</sup>

UWUA and other Settling Parties either can or already have advanced their views, arguments, and recommendations in these and other proceedings. However, for purposes of this present GRC, the Settlement Agreement and Bilateral GRC Settlements should comprise resolution of issues being contested among the Settling Parties within the context of this GRC, which is to

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<sup>16</sup> *Id.* at Attachment 3 (EDF Settlement) at 2.

<sup>17</sup> UWUA’s opening comments at 10.



