

**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 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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Pursuant to the 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”)* and the Administrative Law Judge’s January 18, 2018 Email Ruling,¹ San Diego Gas & Electric Company (“SDG&E”) and Southern California Gas Company (“SoCalGas”) (jointly, “Utilities”) respectfully submit this supplemental brief regarding Scoping Memo Supplemental Question A.

I. INTRODUCTION

The Utilities’ proposed project would de-rate Line 1600 to a pressure at which its hoop stress is less than 20% of its specified minimum yield strength (“SMYS”). For the reasons set forth in the Utilities’ Opening Brief at 106-115 and Reply Brief at 176-180, such a de-rated Line 1600 will be classified as a distribution line under 49 Code of Federal Regulations (“CFR”) § 192.3. To address concerns raised by the Office of Ratepayer Advocates (“ORA”) and The Utility Reform Network (“TURN”), the Utilities have offered to incorporate certain feasible integrity management practices applicable to transmission pipelines into the Distribution

¹ January 18, 2018 *Email Ruling Granting Protect Our Communities’ Motion to Strike a Portion of Safety and Enforcement Division’s Advisory Opinion and Extending Time to Provide Supplemental Briefs from January 19, 2018 to January 22, 2018.*

Integrity Management Plan (“DIMP”) for a de-rated Line 1600.²

The SED’s December 15, 2017 Analysis and Opinion on Supplemental Question A (“SED Advisory Opinion”) asserts that Line 1600 should “continue to be treated as a transmission pipeline even if de-rated to 20% SMYS or below.”³ While the underlying rationale of the SED Advisory Opinion is not entirely clear, the potential safety implications are anticipated by the Utilities to be far reaching and of significant concern. The SED Advisory Opinion appears to conclude that SDG&E’s Rainbow Metering Station (“Rainbow”) is not a “distribution center” under 49 CFR § 192.3’s transmission line definition, and instead, determines each of the 63 regulator stations fed by SDG&E’s Line 1600 are “distribution centers.”⁴ In effect, the SED Advisory Opinion appears to define a “distribution center” as the location where gas passes through a regulator station reducing its pressure to 60 pounds per square inch gauge (“psig”).

If such a definition of a “distribution center” were to be applied to the entire integrated SoCalGas/SDG&E natural gas system, approximately 3,500 miles of pipelines that are safely operated at hoop stress levels less than 20% of SMYS would be reclassified from distribution lines to transmission lines.⁵

This vast reclassification of distribution pipe would occur as a result of the determination in the SED Advisory Opinion that Rainbow is not a “distribution center” and that regulator stations reducing pressure to 60 psig are “distribution centers.” In addition to the potential operational, safety, and reliability impacts of such a reclassification, which have yet to be fully determined and assessed, this reclassification is anticipated to pose significant rate impacts for customers. A preliminary high-level estimate of the initial costs (without escalation) that would

² The Utilities have offered to incorporate Transmission Integrity Management Plan (“TIMP”)-like measures for Line 1600 under their DIMP. *See* Utilities’ Opening Brief at 9 and 116-117. Specifically, the Utilities are agreeable to continue to perform leak surveys and patrols on the de-rated Line 1600 in accordance with applicable provisions of 49 CFR Part 192. In addition, the Utilities would make the de-rated Line 1600 subject to external corrosion direct assessment (“ECDA”) at a frequency not exceeding once every seven years. *See* Exhibit (“Exh.”) SDGE-13 (Rebuttal Testimony at 35:20-36:13).

³ SED Advisory Opinion at 2.

⁴ 49 CFR § 192.3 (“**Transmission line** means a pipeline, other than a gathering line, that: (1) transports gas from a gathering line or storage facility to a gas distribution center, storage facility, or large volume customer that is not down-stream from a gas distribution center . . .”).

⁵ Exh. SDGE-45 at pdf page 34 (Utilities’ Response to SED Data Request (“DR”)-6, Question (“Q”) 8 at 2). Question 8 was added by the December 20, 2017 ALJ Ruling.

result from this definitional change is approximately \$20.7 billion, with an estimated \$213.5 million more incurred every seven years thereafter.⁶ These costs would be driven by 49 CFR Part 192, Subpart O and California Public Utilities Code (“P.U. Code”) §§ 957 and 958 requirements applicable to transmission lines (but not distribution lines).

Because gas entering Line 1600 at Rainbow Metering Station “enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale,”⁷ Rainbow is a “distribution center” under past Pipeline and Hazardous Materials Safety Administration (“PHMSA”) interpretations.

SDG&E further notes that if the SED Advisory Opinion is focused on where title to the gas changes hands, rather than where the gas enters the SDG&E-owned pipeline system, then title does not change hands at the 63 regulator stations, but at the points where the SDG&E/SoCalGas integrated system receives gas from interstate pipeline operators or California gas producers (*e.g.*, Blythe receipt point and Otay Mesa receipt point).

The SED Advisory Opinion’s change in the “distribution center” definition will have significant (and perhaps unintended) consequences across the Utilities’ integrated natural gas system—increasing rates for many customers without notice or opportunity to be heard. The record of this proceeding does not include evidence of any safety benefit that would arise from reclassifying over 3,500 miles of pipeline as “transmission line” under the SED Advisory Opinion’s definitional change. Any concerns regarding Line 1600’s future safety should be addressed directly rather than through a far-reaching definitional change that could potentially increase operational, safety, and/or reliability risk on the Utilities’ integrated transmission or distribution systems. Broader concerns regarding the safety of pipelines operated at a hoop stress below 20% of SMYS, but over 60 psig pressure, could be more effectively addressed in a rulemaking proceeding, rather than in a project-specific proceeding without the benefit of a record developed to focus on this issue.

⁶ Exh. SDGE-45 at pdf p. 39 (Utilities’ Response to SED DR-6, Q8 Attachment). As required by the ALJ Ruling, this high-level estimate was prepared between December 20 and 29, 2017. “Preparation of a detailed estimate of the potential cost impact of such a reclassification would require SDG&E and SoCalGas to conduct pipeline surveys and perform detailed records reviews for the approximately 3,500 miles of pipeline that would potentially be affected by the above change in definition.” *Id.* at pdf p. 35 (Utilities’ Response to SED DR-6, Q8 at 3).

⁷ SED Advisory Opinion at 3.

For these reasons, the Utilities urge the Commission to adhere to past PHMSA interpretations, find that Rainbow is an SDG&E “distribution center” or that the Blythe receipt point is a “distribution center” for the Utilities’ integrated natural gas system, and rely on the specific facts in this proceeding to conclude that Line 1600 should be de-rated (or abandoned, if determined to be necessary in Phase 2). To address any concerns regarding the safety and integrity of a de-rated Line 1600, the Utilities propose to apply specific and feasible 49 CFR Subpart O measures to the de-rated Line 1600. Should the Commission determine it is in the public interest to consider the “distribution center” definition proposed by the SED Advisory Opinion, the Commission should do so in a rulemaking proceeding, with due process provided to the customers that will bear the estimated \$20 billion cost of doing so,⁸ and comparison of the costs and benefits.

II. ONCE DE-RATED TO LESS THAN 20% SMYS, LINE 1600 WOULD BE A DISTRIBUTION LINE

The SED Advisory Opinion confirms that, once de-rated to 320 psig, Line 1600 would operate at a hoop stress less than 20% of its SMYS, and thus would not be a transmission line under the second prong of the Section 192.3 definition.⁹ The SED Advisory Opinion further concludes, however, that “Line 1600 will still be a transmission line functionally irrespective of the % SMYS @MAOP [maximum allowable operating pressure].”¹⁰ In support of this conclusion, the SED Advisory Opinion sets forth arguments previously presented by ORA, to which the Utilities responded in the Utilities’ Opening Brief at 110-14 and Reply Brief at 177-180.

Since TIMP regulations first went into effect, the Utilities have applied a consistent interpretation of “distribution center,” and, identified Rainbow as a “distribution center.” The Utilities’ application of TIMP, has been reviewed in Transmission Integrity Audits, performed by SED, since 2007 and in General Rate Cases, without objection.¹¹ In considering whether to

⁸ While this estimate is high level, it does not include escalation, site-specific land acquisition costs, or, for capital expenditures, a rate of return on the Utilities’ investment. Exh. SDGE-45 at pdf p. 38-39.

⁹ SED Advisory Opinion at 2 (“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); 49 CFR § 192.3 (Transmission line means a pipeline, other than a gathering line, that: ... (2) operates at a hoop stress of 20 percent or more of SMYS”).

¹⁰ SED Advisory Opinion at 2.

¹¹ Exh. SDGE-13 (Rebuttal Testimony at 18:9-20, 21:12-21).

adopt the SED Advisory Opinion’s new definition, the Commission should be aware that it is not consistent with past PHMSA interpretations. The Utilities address the SED Advisory Opinion’s two main arguments below.

A Distribution Center Is Properly Located Where Gas Enters SDG&E’s Gas System; If Not, It Would Be Located Where Gas Enters the Utilities’ Integrated Natural Gas System.

The SED Advisory Opinion first cites to the PHMSA Glossary, asserting “PHMSA defines a Distribution Center as ‘A location at which gas may change ownership from one party to another (e.g., from a transmission company to a local distribution company), neither of which is the ultimate consumer. May also be referred to as a gate station or town border station.’”¹² The SED Advisory Opinion acknowledges the Utilities’ statement that: “No gas sales are made from SoCal Gas to SDG&E at Rainbow.”¹³ The SED Advisory Opinion further states that Rainbow is “not a gate station (city gate) or a town border station.”¹⁴

After the Commission approved integration of the SoCalGas and SDG&E natural gas systems, Rainbow ceased to be a point at which ownership of gas transferred to SDG&E.¹⁵ As the Utilities explained: “SoCalGas’ Gas Acquisition Department is responsible for the purchase of gas sold to core customers on the SDG&E system pursuant to Commission D.07-12-019 and as reflected in SoCalGas CPUC Tariff Sheet 52769-G, Preliminary Statement - Part V - Balancing Accounts Purchased Gas Account (PGA).”¹⁶ Also pursuant to Commission D.07-12-019, SoCalGas, as the System Operator, manages the transportation of gas across both systems until transferred to the SDG&E distribution system.¹⁷ The Commission also authorized creation of a “citygate market” in D.06-12-031, but it is not a physical location.¹⁸ In none of these

¹² SED Advisory Opinion at 2, quoting <https://www.phmsa.dot.gov/staticfiles/PHMSA/Pipeline/TQGlossary/Glossary.html>.

¹³ SED Advisory Opinion at 2 (quoting Exh. SDGE-45 at pdf p. 14 (Utilities’ Resp. to SED DR-6, Q7).

¹⁴ SED Advisory Opinion at 2.

¹⁵ Decision (“D.”) 06-04-033 at 67 (Before integration, “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.”).

¹⁶ Exh. SDGE-45 at pdf page 14 (Utilities’ Response to SED DR-6, Q7).

¹⁷ Exh. SDGE-45 at pdf page 14 (Utilities’ Response to SED DR-6, Q7).

¹⁸ D.06-12-031 authorized SDG&E and SoCalGas “to offer a gas pooling service on the SDG&E and SoCalGas integrated transmission system.” D.06-12-031 at 141, Ordering Paragraph 2. The Commission found that the “FAR proposal will continue to provide market participants with flexible options and result in the creation of a citygate market for southern California.” *Id.* at 135, Finding of Fact 26). “The citygate

decisions, did the Commission suggest that such changes would change the “distribution center” definition to classify more pipeline as “transmission.”

These Commission-approved changes do not require any change in the “distribution center” definition. The PHMSA Glossary states that a distribution center is a “location at which gas may change ownership,”¹⁹ not that it must change ownership there. PHMSA also looks at a change in custody. In a 2012 PMHSA Interpretation, PHMSA opined “these pipelines downstream of the custody transfer point between the interstate transmission pipeline and the local distribution company are distribution lines.”²⁰ SDG&E is a Local Distribution Company.²¹ While SoCalGas is not an interstate transmission pipeline, “SoCalGas and SDG&E are viewed as separate operators by PHMSA and therefore have established distribution centers for each company utilizing the same definition.”²²

The Commission may determine that Rainbow is a “distribution center” because it is the transfer point between SoCalGas-owned pipelines and SDG&E-owned pipelines. The SED Advisory Opinion apparently rejected this interpretation because it “views SoCal Gas/ SDG&E as essentially the same operator under parent company Sempra.”²³ If the Commission prefers to ignore the separation in pipeline ownership, and considers transfer of gas custody to be the most important indicia of a “distribution center,” then the “distribution centers” for the Utilities’ integrated system (created pursuant to Commission authorization) would be located at the points where gas enters the integrated system and custody is transferred to the System Operator (SoCalGas). In that case, the gas flowing into Rainbow would be downstream of the SoCalGas “distribution center” at Blythe, California, and a de-rated Line 1600 would not be a “transmission line” under the first prong of the Section 192.3 definition.

In any event, the PHMSA Glossary definition does not support the SED Advisory Opinion’s conclusion that “[e]ach of the 63 regulator stations [fed by Line 1600] can be considered a distribution center.”²⁴ There is no evidence, and the SED Advisory Opinion does

pooling service allows for the aggregation and disaggregation of natural gas at the citygate, and creates a pricing point for customers to buy and sell gas.” *Id.* at 137, Finding of Fact 40). The citygate concept is discussed at D.06-12-031 at 12, 109-110.

¹⁹ SED Advisory Opinion at 2.

²⁰ Exh. SDGE-42 (PMHSA PI-11-0013 at 3).

²¹ Exh. SDGE-13 (Rebuttal Testimony at 20:5-6).

²² Exh. SDGE-13 (Rebuttal Testimony at 18:12-14).

²³ SED Advisory Opinion at 2.

²⁴ SED Advisory Opinion at 3.

not claim, that ownership is transferred at each such regulator station or that each one is a “city gate” of any sort.

B. Rainbow Metering Station is A Distribution Center Because Gas Entering Line 1600 There is Primarily (Nearly Exclusively) for Consumption

More importantly, as the SED Advisory Opinion affirms: “One must also look at where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customers who purchase it for resale.”²⁵ PHMSA long has emphasized this point.²⁶ Here, the undisputed fact is that gas entering Line 1600 is primarily delivered to consumers for consumption.

All natural gas entering SDG&E’s system is for customers’ consumption, with the following two exceptions where resale may take place before consumption:

- 28 master-metered customers who may re-sell gas to sub-metered tenants, including 17 master metered mobile home parks; and
- A compressed natural gas (CNG) fueling station.

Out of the approximately 150,000 customer meters served by Line 1600, there are 28 such master metered customers, including master-metered mobile home parks (MMHP), and one public CNG refueling station. ... Combined volume of the 28 master-metered customers plus the one CNG station that resells to the public represented 0.77% of the volume measured by the Line 1600 meter over the course of a year. 99.23% of the volume of gas was not for resale, but was gas for customers who purchase it for consumption.²⁷

As the same situation would exist if Line 1600 is de-rated, the “gas entering the de-rated Line 1600 will be almost entirely delivered to customers who purchase it for consumption as opposed to customers who purchase it for resale.”²⁸

The SED Advisory Opinion does not dispute this fact. Instead, it undertakes an analysis not contemplated under the existing regulations or advisory opinions, stating: “Line 1600 receives gas upstream from a SoCal Gas transmission pipeline. Thus, gas does not enter the

²⁵ SED Advisory Opinion at 3.

²⁶ See, e.g., SDGE-42 (PMHSA PI-11-0013 (May 22, 2012)); Exh. SDGE-13 (Attachment D.1 at 207 (PHMSA PI-91-0103 (May 30, 1991)) (Attachment D.2 at 210 (PHMSA PI-09-0019 (March 22, 2010)) (Attachment D.3 at 216 (PI-78-0110 (November 30, 1978))).

²⁷ Exh. SDGE-46 (Draft Letter to PHMSA-Interpretation Request at 3-4) (footnote omitted; emphasis added). The Utilities do not concede that gas sold to master-metered customers is in fact re-sold, *see id.* at 3 n.7, or that such an arrangement constitutes “re-sale” as contemplated by the PHMSA interpretations.

²⁸ Exh. SDGE-46 (Draft Letter to PHMSA-Interpretation Request at 5).

system at Rainbow; it is essentially an extension of the upstream transmission line route whose primary function is to supply gas to the 63 regulator stations.”²⁹ This analysis is not consistent with the configuration or operation of the SDG&E system.

Gas enters SDG&E’s system at Rainbow, and gas entering Line 1600 is almost entirely for consumption. SDG&E is a Local Distribution Company,³⁰ and the Commission may and should consider Rainbow as a location where gas enters this distribution system.³¹ If the Commission nevertheless deems it appropriate to focus on the Utilities’ operation of the integrated natural gas system, then the gas delivered to Line 1600 entered piping primarily for consumption at the SoCalGas “distribution center” immediately downstream of the SoCalGas system El Paso Natural Gas (“EPNG”) Ehrenberg receipt point at the California-Arizona border in Blythe, California. As Line 1600 is downstream of this receipt point, a de-rated Line 1600 would be a distribution line.

Further, the SED Advisory Opinion provides no rationale for identifying the regulator stations fed by Line 1600 as “distribution centers.” First, the gas feeding those regulator stations already entered piping delivering such gas to customers for consumption—either SDG&E’s Line 1600 at Rainbow or SoCalGas pipelines at Blythe. Second, 49 CFR § 192.3 expressly recognizes “high pressure distribution systems” feed lower pressure distribution systems.³² A regulator station is not a demarcation between a transmission line and a distribution line, unless

²⁹ SED Advisory Opinion at 3.

³⁰ Exh. SDGE-13 (Rebuttal Testimony at 20:5-6).

³¹ In discussing when gas moves from transport for re-sale to transport for consumption, PHMSA looks to where gas transfers from an interstate transmission pipeline to a local distribution company. Exh. SDGE-42 (PMHSA PI-11-0013 at 3) (“these pipelines downstream of the custody transfer point between the interstate transmission pipeline and the local distribution company are distribution lines”); Exh. SDGE-13 (Rebuttal Testimony, Attachment D-3 at 216) (PI-78-0110: “a ‘distribution center’ occurs at a ‘point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption.’ Basically, this includes points where title to gas is transferred from a transmission company to a distribution company.”); PHMSA Glossary (Distribution Center is “A location at which gas may change ownership from one party to another (e.g., from a transmission company to a local distribution company).” The critical point is the transfer to a local distribution company, which indicates that the gas is to be delivered for consumption, not transported for re-sale.

³² 49 CFR § 192.3 (“**High pressure distribution system** means a distribution system in which the gas pressure in the main is higher than the pressure provided to the customer.” “**Low-pressure distribution system** means a distribution system in which the gas pressure in the main is substantially the same as the pressure provided to the customer.”).

the upstream pipeline operates at or above 20% of SMYS and the downstream pipeline operates below 20% of SMYS.

PHMSA has addressed very similar situations, and determined pipelines feeding downstream pressure reduction points to be distribution mains. In a 2012 Interpretation, PHMSA determined that four pipelines operated below 20% SMYS and feeding 60 psig distribution systems, through which gas is “delivered to customers who purchase the gas for consumption,” were all distribution lines.³³ In a 1991 Interpretation, PHMSA opined:

Line #1, which operates at less than 20 percent of SMYS, begins at a pressure limiting and metering station on an interstate natural gas transmission pipeline. From there the line extends to a series of pressure reduction points, beyond which the gas is distributed to consumers. Because there does not appear to be any transfer of gas to customers for resale beyond the pressure limiting and metering station, this station marks a distribution center under the above description. Line #1 is, therefore, a distribution line, or main, as it is a common source of supply for more than one service line.³⁴

As proposed, the de-rated Line 1600 will be downstream of the Rainbow Metering Station and be fed through a new pressure limiting station so it operates below 20% of SMYS. Therefore, the configuration of the de-rated Line 1600 matches the characteristics of the line that the above PHMSA interpretation determined to be a distribution line.

The SED Advisory Opinion expressly states that it relies solely on two PHMSA interpretations cited by ORA.³⁵ The Utilities explained why the 2010 PHMSA Interpretation to New Mexico is inapposite to Line 1600 in their Opening Brief at 113-14. Similarly, the 1974 Interpretation does not support the position taken in the SED Advisory Opinion. The first question addressed in this interpretation asked about a transmission line connecting a storage facility to 75 regulator stations through which gas entered distribution systems, and whether the regulator stations were “distribution centers.”³⁶ The pipeline feeding the regulator stations fell

³³ SDGE-42 (PHMSA PI-11-0013 at 1-3).

³⁴ Exh. SDGE-13 (Rebuttal Testimony, Attachment D-1 at 207) (emphasis added).

³⁵ SED Advisory Opinion at 2 (“Two relevant PHMSA interpretations (PI-74-0114) and PHMSA Interpretation Response (PI-09-0019) were used to help inform SED’s opinion in addition to our data requests and other materials reviewed. ... Both of these PHMSA Interpretations were mentioned by the Office of Ratepayer Advocates in this proceeding.”).

³⁶ The requesting party stated: “This plant with LNG tank, we feel is a storage facility and therefore lines to the plant should be classified as transmission.” Exh. ORA-28 (PHMSA PI-74-0114 at 3 (May 8, 1974). PHMSA stated the question posed was “You describe a 12-inch transmission line, operated below

directly into the first prong of the Section 192.3 transmission line definition—“(1) Transports gas from a gathering line or storage facility to a distribution center or storage facility,” and the regulator stations were the first “distribution centers” the gas encountered.³⁷ By contrast, Line 1600 is downstream of the Rainbow “distribution center” and does not transport gas from a gathering line or storage facility. To apply the 1974 Interpretation beyond its facts would contradict the 1991 and 2012 PHMSA Interpretations noted above.

PHMSA’s response to the second question in the 1974 Interpretation, regarding a different pipeline, supports classification of a de-rated Line 1600 as a distribution line. PHMSA stated, “if the 8-inch line is a common source of supply for more than one service line, then by definition it is a ‘main’ under section 192.3.” Section 192.3 defines a “main” as “a distribution line that serves as a common source of supply for more than one service line.”³⁸ A de-rated Line 1600 would serve nine “regulator stations [that] feed pipelines that serve customers directly (service lines)” and “four additional pipeline taps off Line 1600 with no pressure regulation at the tap as each pipeline feeds line pressure directly into a customer meter set assembly.”³⁹ Thus, by definition, a de-rated Line 1600 would be a distribution main under PHMSA’s 1974 Interpretation.

III. ANY CHANGE IN THE UTILITIES’ “DISTRIBUTION CENTER” DEFINITION SHOULD OCCUR THROUGH A RULEMAKING PROCEEDING, WITH NOTICE AND OPPORTUNITY TO BE HEARD FOR IMPACTED CUSTOMERS

The potential reclassification of approximately 3,500 miles of distribution main to transmission pipelines would potentially have far-reaching operational, safety, reliability and cost impacts that have yet to be fully identified or assessed. The Utilities’ customers, who would bear the potential costs and reliability impacts of such a change, have not received notice or been provided with an opportunity to be heard regarding the potential risks or benefits of adopting the

20 percent of SMYS, which feeds a distribution system through 75 district regulator stations. You ask if a district regulator station is a ‘distribution center’ and, if so, does transmission exist only to the first regulator station or to each of the 75 stations?” *Id.* at 1 (emphasis added).

³⁷ Exh. ORA-28 (PHMSA PI-74-0114 at 1; *see also id.* (“If there are no services on the 8-inch line, since it runs from a ‘storage facility’ to a ‘distribution center’ (connection with a main), it is by definition a ‘transmission line.’”)).

³⁸ Emphasis added; *see also* 49 CFR 192.3 (“**Service Line** means a distribution line that transports gas from a common source of supply to an individual customer, to two adjacent or adjoining residential or small commercial customers, or to multiple residential or small commercial customers served through a meter header or manifold.”).

³⁹ Exh. SDGE-46 (Draft Letter to PHMSA-Interpretation Request at 3, 5).

definition change proposed in the SED Advisory Opinion. As discussed above, the SED Advisory Opinion is inconsistent with past PHMSA interpretations, and the Commission is not compelled to adopt this revised definition. If the Commission determines it may be appropriate to revise the definition of distribution center under State law, the Commission should consider the potential risks, costs and benefits of doing so, following evidentiary hearings on the impact, need, and costs.

The SED Advisory Opinion's proposed definition would impact pipelines that already operate at a hoop stress less than 20% of SMYS (pipelines operating at or above 20% SMYS already are transmission lines). As discussed in the Utilities' Opening Brief at 7-8, 60-63, & 87-89 and Reply Brief at 2-3, 157-58 & 160-61, pipeline risks are significantly reduced below 20% SMYS. Although testimony in this proceeding was focused on the safety gain from reducing pressure on Line 1600 to below 20% SMYS, key points are applicable to all pipelines operated below 20% of SMYS. De-rating Line 1600 to distribution service: (a) significantly reduces the potential impact radius in the event of rupture; (b) reduces the risk of failure because flaws must be larger or deeper to fail at a lower pressure; and (c) reduces the risk of rupture by lowering the percentage of SMYS at which a pipeline operates.⁴⁰

As the SED Advisory Opinion noted: "What the general public may not always be conscious of is the tradeoff between unrealistically high expectations of safety and utility rate affordability."⁴¹ The Utilities agree. Further, although "no gas pipeline is certain to never leak or rupture,"⁴² pipelines below 20% of SMYS pose less risk than pipelines operating at higher pressures. Ruptures of pipelines operating at less than 20% SMYS are not likely, though some have occurred in vintage pipelines.⁴³ The SED Advisory Opinion's proposed definitional change

⁴⁰ Exh. SDGE-2 (Sera Prepared Testimony at 12:16-25:20). *Accord, e.g.*, Phase 1 Evidentiary Hearing Transcript ("Tr.") at 435:8-436:21 (Utilities-Rosenfeld) ("But what lowering the pressure does do, is it increases the pipe's ability to tolerate some forms of damage compared to operating at a higher pressure. It also reduces the fracture toughness thresholds that are needed to arrest a fracture or assure that the pipe fails as a leak rather than as a rupture. It does increase the time that you have available to find flaws or defects that could be increasing in size over time, so there are benefits.").

⁴¹ D.16-08-018 at 69.

⁴² Exh. SDGE-12 (Supplemental Testimony at 98:11-12).

⁴³ Exh. UCAN-11 (Rosenfeld, et al. *Study of pipelines that ruptured while operating at a hoop stress below 30 % SMYS* (2013) ("Specifically, the analysis of the Kiefner data [a "database of over 750 examinations"] showed there were 7 pipeline ruptures that occurred in service while operating at a pressure below 20% [SMYS], of which 5 were associated with select seam weld corrosion of electric resistance welded pipe (ERW)") The paper notes that low fracture toughness "is representative of the

would sweep in all of the Utilities' pipelines operating under 20% of SMYS but over 60 psig, without any assessment of risk, either likelihood of failure or consequences of failure.

Although the Utilities' estimate is high-level, it provides the expected magnitude of the cost of the SED Advisory Opinion's proposed "distribution center" definition. Any over-estimates may well be offset by under-estimates. No escalation was included, even though the likely construction program would occur over many years. The estimate does not provide a revenue requirement, even though much of the initial cost to replace pipelines would be capital expenses. And the use of Direct Assessment on a repeating schedule is estimated to cost \$213.5 million (un-escalated) in total every seven years. These costs, and reclassification, will have significant rate impacts.

IV. LINE 1600 CAN BE SAFELY OPERATED AS A DISTRIBUTION LINE

The SED Advisory Opinion also states that "it is SED's opinion that classifying Line 1600 as a transmission line will ensure a higher level of integrity/safety in HCAs [high consequence areas] and non-HCAs."⁴⁴ The Utilities do not agree.

First, the SED Advisory Opinion notes that the leak survey and patrolling requirements are different for distribution lines than for transmission lines.⁴⁵ 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."⁴⁶

Second, the SED Advisory Opinion expresses concern that Subpart O would not apply to Line 1600 as a distribution line, asserting that subpart "requires each operator to do a number of important tasks, including threat identification, risk assessment and integrity assessment. Among

bond line of ERW seams that have not been normalized by a post-weld heat-treatment," and "Post-weld heat-treatment of the ERW seam ... was not required by API 5LX prior to the 14th Edition in 1967." *Id.* at 5 & n.6. Of the 7 pipelines that ruptured in service, one was manufactured in 1973 (failing due to microbiologically influenced corrosion) and the rest in 1963 or earlier (4 ERW lines due to low seam toughness, 1 ERW line due to "previous damage, gouge", and one lap weld line due to "defective seam"). *Id.* at Appendix. Noting the risk arose from an interaction of different integrity threats, including difficulty of detection, the paper proposes a "threat assessment process" that "could be applied to low-stress pipelines under a DIMP [Distribution Integrity Management Plan] or moderate stress pipelines in HCAs under a TIMP [Transmission Integrity Management Plan]." *Id.* at 8, 10.

⁴⁴ SED Advisory Opinion at 4.

⁴⁵ SED Advisory Opinion at 4.

⁴⁶ Exh. SDGE-13 (Rebuttal Testimony at 37:9-12, *accord* 35:20-24).

these tasks, the ‘integrity assessments’ in High Consequence Areas (HCAs) is of utmost importance.”⁴⁷ Subpart P, applicable to distribution lines, also requires an integrity management plan, including threat identification and “measures designed to reduce the risks.”⁴⁸ “SDG&E operates over 8,071 miles of distribution main and 635,480 services which are managed under its DIMP.”⁴⁹

The SED Advisory Opinion places special emphasis on “integrity assessments,” and notes various methods of performing such assessments, including ECDA. For Line 1600, the Utilities already agreed:

Certain inspection techniques identified in 49 CFR § 192.921 can also be applied to distribution pipelines where appropriate. Although 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. By performing ECDA as well as maintaining the pipeline in accordance with all other applicable requirements, including corrosion control and damage prevention, the Utilities will complete adequate condition assessments to validate the safety of the pipeline at the lowered MAOP; should a condition be found, the appropriate action will be taken to maintain the safe operation of the pipeline.⁵⁰

Although Line 1600 would be operating below 20% SMYS and in technical terms would not have any HCAs, the Utilities’ proposal to conduct ECDA would include determining the extents of HCAs to prioritize the inspection and any necessary repairs. In short, a de-rated Line 1600 would undergo “integrity assessment” under the Utilities’ proposal.

⁴⁷ SED Advisory Opinion at 3.

⁴⁸ 49 CFR § 192.1005 & 1007.

⁴⁹ Exh. SDGE-13 (Rebuttal Testimony at 34:19-20).

⁵⁰ Exh. SDGE-13 (Rebuttal Testimony at 36:4-13).

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.

Dated in San Diego, California, this 22th day of January 2018.

Respectfully submitted,

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