



Via Electronic Mail

January 23, 2020

President Marybel Batjer
Commissioner Liane Randolph
Commissioner Clifford Rechtschaffen
Commissioner Martha Guzman Aceves
Commissioner Genevieve Shiroma

Re: A.15-09-013, Support for ALJ Kersten’s Proposed Decision Approving Limited Modification to D.18-06-028.

Commissioners:

The Natural Resources Defense Council, Climate Action Campaign, California Environmental Justice Alliance, Environmental Defense Fund, The San Diego Urban Sustainability Coalition and SanDiego350 write to express our strong support for Administrative Law Judge Kersten’s Proposed Decision Approving Modifications to Decision (“D.”) 18-06-028 (“PD”) and corresponding opposition to Commissioner Randolph’s Alternate Proposed Decision (“APD”) Approving Limited Modifications to D.18-06-028.¹ ALJ Kersten’s Proposed Decision properly holds Southern California Gas Company and San Diego Gas & Electric Company (collectively, “Sempra Utilities”) accountable for their attempted manipulation of D.18-06-028 in a well-reasoned decision that effectively balances the Commission’s safety, cost and reliability responsibilities. In contrast, the APD approves an unneeded \$677 million pipeline replacement plan that has never been publicly vetted, adding a costly stranded asset to the gas system that will complicate California’s efforts to transition away from fossil fuels.

¹ These decisions are currently scheduled for a Commission vote at the February 6, 2020 voting meeting. The latest version of the PD is available at <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K468/324468864.PDF> and the APD at <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K446/324446635.PDF>.

In D.18-06-028, the Commission rejected the Sempra Utilities' proposal to de-rate the existing 16-inch Line 1600 and replace it with a new 36-inch transmission pipeline as unneeded "in an era of declining demand and at a time when the state of California is moving away from fossil fuels."² The Commission instead required the Sempra Utilities to proceed with a Hydrostatic Testing Plan for Line 1600. Because the Sempra Utilities stated hydrotesting Line 1600 could be completed with manageable customer impacts at an estimated cost of \$113 million, there was every expectation the Sempra Utilities would proceed with hydrotesting as called for under the established Pipeline Safety Enhancement Plan ("PSEP") decision tree. However, the Sempra Utilities are now moving forward with a plan to replace most of Line 1600's line segments rather than hydrotest them. This replacement plan for Line 1600 was never evaluated in this proceeding and would cost approximately \$677 million, over \$100 million more than its original rejected proposal to build a new larger pipeline and de-rate Line 1600. This is not the way to do gas system planning and we are very concerned by the message that the Commission is sending to the Sempra Utilities if it moves forward with the APD.

The PD properly balances safety, cost and reliability. With regard to safety, while the Commission concluded in D.18-06-028 that the current operation of Line 1600 at 512 psig provides "adequate safety margins in the short-term,"³ the PD nonetheless requires the Sempra Utilities to proceed with hydrotesting the Line 1600 segments it had not proposed to replace while an expedited evaluation of alternative options for the remaining line segments occurs in Phase 2 of this proceeding. The PD also allows for the de-rating of Line 1600 from 512 to 320 psig, which multiple experts, including those of the Sempra Utilities, have testified "will enhance its safety in the near term, and promote its safety into the future."⁴ With regard to cost, the PD includes de-rating within the scope of alternative solutions for Line 1600, which the PD notes would cost "\$15 million or approximately 'two percent' of the cost of the proposed \$677 million alternative the [APD] supports."⁵ With regard to reliability, the PD properly observes that the Sempra Utilities' proposed replacement of Line 1600 would not be completed until after 2023, when there will no longer be any need for its capacity to meet Commission reliability standards due to declining gas demand.⁶ **The \$677 replacement plan would therefore be a stranded asset from its first day of operation.**

The APD does not adequately justify why it is in the ratepayer's interest to move forward with the Sempra Utilities \$677 replacement plan and foreclose consideration of far less costly alternatives such as de-rating and full hydrotesting. The APD's lack of rationale is all the more troubling because the stranded asset consequences from costly and avoidable investments in the

² D.18-06-028 at 123, Conclusion of Law #3 (June 21, 2018).

³ D.18-06-028 at 85, 121, Finding of Fact #60; *see also id.* at 121, Finding of Fact # 61 ("It is reasonable to keep Line 1600 in transmission service at 512 psig for the foreseeable future and maintain it according to more stringent Transmission Integrity Management Plan standards.").

⁴ PD at 44.

⁵ PD at 45.

⁶ PD at 33.

gas system have become increasingly acute. As found in a recent report by Gridworks, *California’s Gas System in Transition: Equitable, Affordable, Decarbonized and Smaller*:

The volume of gas flowing through California’s gas delivery system (gas “throughput”) will decline dramatically over time in response to state and local policies. The pressing question for California is how we can manage this transition to minimize societal costs and unfair burdens on the remaining gas customers⁷

The Commission specifically relied upon this report when it opened Rulemaking 20-01-007 on January 16, 2020.

The Gridworks report goes on to observe that “[t]here are two paths available to California: a smart, managed path that maximizes benefits and minimizes costs for everyone, or an uncontrolled path that is reactive and costly.”⁸ In moving forward with an avoidable \$677 million new investment in the gas system, the APD takes the reactive and costly path that is ultimately unjustified. Moreover, the APD would set a costly precedent that may further drive up gas system costs. As the PD notes, “if the Commission proceeds to replace Line 1600 solely due to the presence of stable manufacturing defects or other known anomalies, this could prompt the [Sempra Utilities] to seek replacement of other gas pipelines that are constructed with [electric flash weld] material.”⁹

Accordingly, we urge Commission approval of ALJ Kersten’s PD at the February 6, 2020 voting meeting.

Sincerely,

Merrian Borgeson
Senior Scientist
Natural Resources Defense Council

Joyce Lane
Public Policy Co-Chair
SanDiego350

Michael Colvin
Director of Regulatory and Legislative Affairs,
California Program
Environmental Defense Fund

Nicole Caprtez
Executive Director
Climate Action Campaign

Eddie Price
Co-Chair
San Diego Urban Sustainability Coalition

Jose Torres
Energy Equity Program
California Environmental Justice Alliance

⁷ Gridworks, *California’s Gas System in Transition: Equitable, Affordable, Decarbonized and Smaller* at 1 (2019), https://gridworks.org/wp-content/uploads/2019/09/CA_Gas_System_in_Transition.pdf.

⁸ *Id.* at 2.

⁹ PD at 50.