

PUBLIC UTILITIES COMMISSION

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February 13, 2015

Ms. Meredith Allen
Senior Director, Regulatory Relations
Pacific Gas and Electric Company
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Sent via e-mail
PGETariffs@pge.com

Subject: PG&E Advice Letter 3495-G-A *Process Change Regarding Replacement of Gas Service Lines and Re-Use of Partial Gas Service Lines (Stubs) for Customer Initiated Work*

Dear Ms. Allen:

The Energy Division (ED) of the California Public Utilities Commission (Commission) rejects Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 3495-G-A without prejudice.¹ PG&E may file its proposal by an application.

In AL 3495-G-A, PG&E seeks to change its policy and procedures for work related to gas service line projects performed at the request of a customer pursuant to Gas Rule 16. Customer's request such service from PG&E when they have a construction project which requires cutting off service to the customer's property.² PG&E's proposed change in policy can have a substantial impact on the customer requesting the work. According to PG&E, it receives on average approximately 3,300 of such requests a year.

Currently, when PG&E responds to such a customer request, it may sever and cap the service line on the customer's side of the property boundary. The section of the service line (referred to as a "stub") extending from the severed location to the distribution main stays pressurized and its disposition is determined by PG&E later. This approach is intended to enable these service line projects to proceed without delay. Stubs left idle may be used later to re-establish service to customers, or eventually removed if originally constructed with materials now considered as higher risk or non-standard.³

To address these safety related concerns, PG&E's proposal in AL 3495-G-A is to restrict the use of service line stubs. After a customer request is received, PG&E would determine whether the service line which is to be cut off can be used again. If not, the service line would be cut-off at the distribution main rather than at the customer's property boundary, which is the current practice. As a result, fewer stubs will be created. PG&E proposes that the additional costs (e.g., street excavation) of severing the service line at the distribution main would be borne by the

¹ PG&E AL 3495-G-A supersedes AL 3495-G in its entirety.

² These projects may include service line relocations, capacity upgrades, meter relocations, etc. PG&E Gas Rule No. 16 specifies the conditions under which a customer is responsible for gas service line relocation costs. PG&E said that its proposal does not require a tariff rule change. (PG&E response to ED data request Question 3)

³ For example, steel, Aldyl-A and pre-1985 polyethylene materials are no longer used in new service line installations. (PG&E AL 3495-G-A, page 3)

customer requesting the work. Projects might also be delayed because PG&E may need to obtain permits to access a distribution main that is located in a public right-of-way.

ED finds that PG&E's request is not appropriate for an AL filing based on the criteria in General Order (G.O.) 96-B. G.O. 96-B Rule 5.1 specifies that,

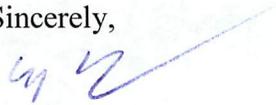
“(t)he advice letter process provides a quick and simplified review of the types of utility requests that are expected neither to be controversial *nor to raise important policy questions.*” (emphasis added)

It is evident that PG&E's proposal raises important policy questions. In response to an ED data request, PG&E explained that it has existing ratepayer funded programs to systematically replace aging and non-standard pipelines in order to enhance the safety of its gas distribution system.⁴ PG&E indicated that these programs may include the replacement of service lines that, under the AL 3495-G-A proposal, would be paid for by customers requesting the service line work instead of the utility's general body of ratepayers.⁵ This apparent overlap between PG&E's AL 3495-G-A proposal and its pipeline replacement programs raises issues about cost shifting and the allocation of service line removal and upgrade costs.⁶ Additionally, the utility's proposal may lengthen the time to complete a service line project. Consideration of these issues and customer impacts is beyond the scope of the AL process and should be examined through an application.

Another reason that PG&E's proposal is not suitable for an AL is that it does not comply with G.O. 96-B Rule 5.2(2). That rule specifies that a utility must use an application for its request if it has not been directed by the Commission to file an AL. PG&E cited D.98-09-058 as requiring it to obtain Commission approval prior to changing its policies regarding customer requested service line projects.⁷ However, that decision does not authorize PG&E to file an AL to present its request to the Commission.

Based on the foregoing, ED rejects PG&E's AL 3495-G-A without prejudice. PG&E may file its proposal by an application.

Sincerely,



Edward Randolph
Director, Energy Division

cc: Kingsley Cheng, PG&E
k2c0@pge.com

⁴ Programs cited by PG&E were the Gas Distribution Integrity Management Program and Gas Pipeline Replacement Program. (PG&E response to ED data request Questions 10a. and 10c.)

⁵ PG&E response to ED data request to question 10c.

⁶ PG&E noted that its proposed policy potentially involves cost reallocation. (PG&E response to ED data request Question 1)

⁷ PG&E response to ED data request Question 1. Of note, D.98-09-038 Conclusion of Law 3 states that PG&E should file an application if it seeks a change to Gas Rule No. 15. That rule addresses gas distribution pipeline extensions, which is a matter similar to the subject of PG&E AL 3495-G-A.

August 6, 2014

Advice 3495-G-A

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Supplemental: Process Change Regarding Replacement of Gas Service Lines and Re-Use of Partial Gas Service Lines (Stubs) for Customer-Initiated Work

Purpose

The purpose of this Supplemental Advice Letter is to correct an error in the number of Stubs reported damaged in 2013.

This Supplemental Advice filing supersedes Advice Letter 3495-G in its entirety.

Pacific Gas and Electric Company (PG&E) proposes to revise its policies with regard to the replacement of gas service lines and the re-use of partial gas service lines when a customer or applicant initiates a change to service facilities under Gas Rule 16.¹

PG&E's existing customers currently initiate – on average – approximately 3,300 requests for changes to their existing gas service facilities each year. These changes result in PG&E intercepting and cutting the service line either at the property line or at the connection to the distribution main (generally in a street). Where the service line is severed at the property boundary, the remaining portion of the service from the distribution main to the property boundary is called a “stub.” The stub can then sometimes be re-used for the new or relocated service.

PG&E's proposed new policy will create fewer new stubs and limit the re-use of existing stubs. Under the proposed policy, for example, when PG&E cuts off a service made up of material which does not meet the standard for re-use, the service line will be cut off at

¹ PG&E is seeking Commission approval of this change in policy in light of Commission decisions such as *California Building Industry Association v. Southern California Edison Company*, D.08-08-001, holding that a utility should seek Commission approval prior to a change of utility policy can result in line extension customers having to pay additional funds for charges for which they are liable. See also *Barratt American, Inc. v. Southern California Edison Company*, D.01-03-051.

the distribution junction and no new stub will be created. Further, PG&E will no longer re-use existing stubs made of steel, Aldyl-A, copper and pre-1985 polyethylene pipe, or which otherwise do not meet new/current standards, and these will similarly be terminated at the distribution connection. PG&E believes this change will improve efficiency and safety but it has the potential to increase the cost to some customers.²

Background

Customers, both residential and non-residential, occasionally need PG&E to terminate gas delivery to a premise in order for them to perform various construction-related activities. These activities include:

- Renovation or upgrade resulting in increased gas usage (beyond the capacity of the current service line)
- Relocation of the meter or service delivery point
- Demolition of the current customer structures/facilities and/or change in use of the site
- New construction on the site which conflicts with the existing gas service line

PG&E's Current Policy

PG&E currently performs these cut-offs upon notification from the customer or demolition contractor, or when a qualified employee happens to observe demolition or construction activities at a site with active/pressurized gas service. The service is then immediately scheduled for cut-off, which can be performed either at the property boundary or at the distribution main. PG&E often does not have sufficient time to acquire necessary permits from local governments for street excavation (which is usually necessary to cut a gas service line at the connection to the distribution main). PG&E therefore often makes an initial service cut at the property boundary, leaving the "stub" in place between the property boundary and the distribution main. When the customer requests establishment or re-establishment of service, PG&E then assesses the viability of the stub for re-use.

This process has allowed PG&E to be more responsive to customer requests and avoid halting demolition work, but also results in higher costs to ratepayers by creating idle "stubs" that must be tracked and maintained, then later assessed for re-use. Additionally, these stubs are susceptible to dig-ins by the customer or their contractor during their project. PG&E recorded 171 gas stub dig-ins for three-year period including 2013, with 60 in 2013 alone.

² Under Gas Rule 16.F.1.a, when a service needs reinforcement it is handled as a new service extension, and under Rule 16.F.2.b, the customer is responsible for the estimated cost of any relocation or rearrangement at the customer's request.

PG&E's Proposed Policy

PG&E's proposed policy would require that a newly-created stub be assessed for re-use at the time the cut-off is requested. When the stub is determined to be unsuitable for re-use, PG&E would require the entire service be cut off at the connection to the distribution main. Circumstances which would render a stub unsuitable for re-use would include:

- Inadequate size/capacity for the proposed new load, or a size/capacity below current standard for new installations
- New service delivery point on the property not in a straight line perpendicular to the distribution line (PG&E Gas Rule 16, C, 1, a. and b.).
- Steel, Aldyl-A, copper and pre-1985 polyethylene materials that are no longer used in new installations

In those circumstances, the customer's work could be delayed as PG&E would not be immediately cutting off service at the property line, but may need to get permits from the city or county to excavate in the street to cut off at the distribution main.

Safety and Reliability

PG&E believes that implementation of this new policy will enhance safety and over time reduce the risk of dig-ins to gas stubs. In addition, the stubs to be retired/removed consist of material or are located in such a way that they present a greater likelihood of material failure, or dig-in due to their non-standard location and/or route. Moreover, by replacing these services in their entirety, PG&E would be able to install a standard size service line perpendicular to the distribution main with an appropriately sized excess flow valve.

Customer Impacts

The impacts on individual customers will depend upon specific circumstances.

Customers with reusable stubs: these customers should not see any incremental cost difference for gas service relocations, re-arrangements, or reinforcements and the current practice of gas service cut-offs at the property line. However, as is the case today, these customers may not have an excess flow valve installed on the rearranged service line.³

Customers without reusable stubs: these customers will see an incremental cost increase for gas service relocations, re-arrangements, or reinforcements due to the

³ Excess flow valves are installed at the connection to the distribution main, and hence are not installed when PG&E re-uses an existing stub.

implementation of this new safety standard. If the gas service being disconnected does not meet the criteria for re-use, the service will be cut off at the connection to the main and a new service connection would need to be established from the main to the meter. This will involve an increased amount of excavation, paving, and installation of gas service facilities (additional pipe). It also may delay the cut off of the service due to the need to perform work in the street (at the main). However, these customers and the public will benefit from new services that meet the latest PG&E design standards for safety and reliability, including the installation of excess flow valves, and the reduced risk of dig-in to the stub during the customer's construction project.

No Change in Tariff Application

PG&E's proposed policy will not change PG&E's application of the tariffs. Under Gas Rule 16, any relocation at the customer's request will still be at the customer's expense per Gas Rule 16.F.2.b. and any service upgrades due to added load will be installed as a new Service Extension per Gas Rule 16.F.1.a.

The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.⁴

Protests

Pursuant to CPUC General Order 96-B, Section 7.5.1, PG&E hereby requests the protest period be waived.

Effective Date

PG&E requests that this Tier 2 supplemental advice filing become effective on August 14, 2014, which is the same requested effective date as advice letter 3495-G.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

⁴ In accordance with *California Building Industry Association v San Diego Gas and Electric Company*, D.05-01-005, cost factors and underlying assumptions and policies such as this are not "charges" or "rates" that trigger the applicability of Public Utilities Code sections 451 or 454.

Meredith Allen /KHC

Senior Director, Regulatory Relations

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3495-G-A**

Tier: 2

Subject of AL: **Supplemental: Process Change Regarding Replacement of Gas Service Lines and Re-Use of Partial Gas Service Lines (Stubs) for Customer-Initiated Work**

Keywords (choose from CPUC listing): Reliability

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **August 14, 2014**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Pursuant to CPUC General Order 96-B, Section 7.5.1, PG&E hereby requests the protest period be waived.

California Public Utilities Commission
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**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

AT&T	Douglass & Liddell	Occidental Energy Marketing, Inc.
Alcantar & Kahl LLP	Downey & Brand	OnGrid Solar
Anderson & Poole	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
BART	G. A. Krause & Assoc.	Praxair
Barkovich & Yap, Inc.	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
Bartle Wells Associates	GenOn Energy, Inc.	SCD Energy Solutions
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
California Cotton Ginners & Growers Assn	Green Power Institute	SDG&E and SoCalGas
California Energy Commission	Hanna & Morton	SPURR
California Public Utilities Commission	In House Energy	San Francisco Public Utilities Commission
California State Association of Counties	International Power Technology	Seattle City Light
Calpine	Intestate Gas Services, Inc.	Sempra Utilities
Casner, Steve	K&L Gates LLP	SoCalGas
Cenergy Power	Kelly Group	Southern California Edison Company
Center for Biological Diversity	Linde	Spark Energy
City of Palo Alto	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
City of San Jose	Los Angeles Dept of Water & Power	Sunshine Design
Clean Power	MRW & Associates	Tecogen, Inc.
Coast Economic Consulting	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Commercial Energy	Marin Energy Authority	TransCanada
Cool Earth Solar, Inc.	McKenna Long & Aldridge LLP	Utility Cost Management
County of Tehama - Department of Public Works	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Davis Wright Tremaine LLP	Morgan Stanley	Verizon
Day Carter Murphy	NLine Energy, Inc.	Water and Energy Consulting
Defense Energy Support Center	NRG Solar	Wellhead Electric Company
Dept of General Services	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	North America Power Partners	