STATE OF CALIFORNIA EDMUND G. BROWN, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
03/26/18
04:10 PM

March 26, 2018

Agenda ID #16390
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 16-12-011

This is the proposed decision of Administrative Law Judge Lirag. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 26, 2018, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ ANNE E. SIMON
Anne E. Simon
Acting Chief Administrative Law Judge

AES:avs
Attachment

Decision **PROPOSED DECISION OF ALJ LIRAG** **(Mailed 3/26/2018)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U904G) for authority to establish a memorandum account to record expenses for system reliability efforts associated with expiring rights-of-way on Morongo Indian Reservation and related relief.	Application 16-12-011

DECISION DENYING AUTHORITY TO ESTABLISH A MEMORANDUM ACCOUNT TO TRACK PRE-CONSTRUCTION COSTS

TABLE OF CONTENTS

Title **Page**

DECISION DENYING AUTHORITY TO ESTABLISH A MEMORANDUM ACCOUNT TO TRACK PRE-CONSTRUCTION COSTS

Summary

Today's decision denies Southern California Gas Company's (SoCalGas) request for authority to establish a memorandum account to record pre-construction expenses for system reliability efforts associated with expiring rights-of-way of three gas transmission pipelines and a gas distribution center located in the Morongo Indian Reservation (Reservation).

We find that the costs to be tracked by the memorandum account are General Rate Case (GRC) costs that are deemed included and part of SoCalGas' 2016 GRC revenue requirement authorized in Decision (D.)16-06-054. In addition, the Settlement Agreement adopted in D.16-06-054 sets forth a revenue requirement that represents a complete and final resolution of all revenue-requirement related issues in the 2016 GRC proceeding. Lastly, the types of costs to be tracked are costs that are normally included in SoCalGas' GRC.

Although this decision denies SoCalGas' request for a memorandum account to record costs during the 2016 GRC cycle, SoCalGas has a pending request for authority to establish a Morongo Rights-of-Way Memorandum Account (MROWMA) in its Test Year (TY) 2019 GRC. This decision makes no findings or predispositions with respect to SoCalGas' request to establish a MROWMA in its TY2019 GRC and nothing in this decision precludes SoCalGas from performing actual pre-construction activities relating to the possible relocation of gas transmission pipelines to bypass the Reservation.

1. Background

On December 15, 2016, Southern California Gas Company (SoCalGas) filed Application (A.) 16-12-011 for authorization to establish a memorandum account to track costs associated with system reliability efforts to be undertaken in anticipation of expiring rights-of-ways (ROW) impacting existing pipelines located in the Morongo Indian Reservation (Reservation). The application does not request authority to increase rates or seek any determination of cost recovery for amounts to be tracked in the memorandum account.

Motions for party status were filed by The Utility Reform Network (TURN), The Office of Ratepayer Advocates (ORA), and Southern California Generation Coalition (SCGC) on January 18, 19, and 20, 2017, respectively.[1] The motions for party status by TURN and ORA were granted in a ruling by the assigned Administrative Law Judge (ALJ) on January 20, 2017 while SCGC's motion was granted in the ALJ ruling on January 24, 2017.

On January 19, 2017, TURN and ORA also filed a joint motion seeking extension of the due date to file protests. The motion was granted in the ALJ ruling dated January 24, 2017.

On January 20, 2017, a joint motion to dismiss the application was filed by TURN, ORA, and SCGC. SoCalGas filed a Response on February 6, 2017, and included a request to file an amended application. SoCalGas' request was granted in the ALJ ruling dated February 23, 2017.

[1] The motions for party status were filed ahead of the filing of protests in order to obtain standing to file a (joint) motion to dismiss.

SoCalGas filed an amended application on March 10, 2017, revising the costs to be tracked to only include pre-construction costs for the possible relocation of gas transmission pipelines to bypass the Reservation. Such pre-construction costs include but are not limited to: environmental evaluations; surveys; pipeline engineering and design; constructability assessments; permitting; and other related efforts. SoCalGas removed its request to track the costs incurred in negotiations with Morongo, payment to Morongo for renewal of four existing ROWs, and costs incurred during the renewal process.

In response to SoCalGas' revised application, TURN, ORA, and SCGC likewise amended their joint motion to dismiss. The motion to dismiss was denied in the ALJ ruling dated April 14, 2017.

Protests to the amended application were filed by TURN, ORA and SCGC on April 21, 24 and 25, 2017, respectively.[2]

A Pre-Hearing conference (PHC) was held on June 12, 2017 wherein the issues, procedural schedule, and other procedural matters were discussed. SoCalGas was also required to file supplemental testimony concerning potential safety concerns.

On July 10, 2017, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the procedural schedule, issues to be considered, need for hearings, and other procedural matters.

---

[2] The period to file protests was extended by ruling of the assigned ALJ on January 24, 2017, in order to first resolve the joint motion to dismiss filed by TURN, ORA, and SCGC.

On September 18, 2017, the assigned ALJ issued a ruling scheduling evidentiary hearings for October 6, 2017, pursuant to the Scoping Memo. The hearing was canceled on October 3, 2017 upon request and pursuant to an agreement among all parties to identify data request responses to move into the evidentiary record in lieu of cross-examination of witnesses sponsoring testimony.

On October 16, 2017, TURN, ORA, and SCGC filed a joint motion seeking admission of prepared testimony and other stipulated exhibits. The joint motion was granted in part by the ALJ ruling on October 30, 2017. Certain exhibits from ORA that were designated as confidential were identified but not admitted. Instead, ORA was directed to file a motion for leave to file under seal said exhibits.

On November 3, 2017, ORA filed a motion to file under seal exhibits it had designated as confidential as discussed above. ORA also filed a motion on November 13, 2017 to admit redacted versions of these exhibits into the public record. ORA's two motions were granted by the ALJ ruling on November 27, 2017.

Opening briefs were filed on November 6, 2017 by SoCalGas, ORA, TURN and SCGC.[3] Reply briefs were filed by the same parties on November 20, 2017.

2. Request

Pursuant to its revised application,[4] SoCalGas requests authority to establish a memorandum account to track pre-construction costs for the possible

[3] TURN and SCGC filed a joint opening brief.

relocation of gas transmission pipelines to bypass the Reservation, including (but not limited to) environmental evaluations, surveys, pipeline engineering and design, constructability assessments, permitting, and other related efforts.

SoCalGas is not requesting cost recovery of the amounts to be tracked in the memorandum account, determination of reasonableness of cost recovery or, authority to increase rates. However, SoCalGas is expected to do so in the future through a separate application or as part of its GRC.

3. Expiring Rights-of-Way of Reservation Pipelines

SoCalGas operates three gas transmission pipelines (Lines 2000, 2001, and 5000)[5] that cross the Reservation and a gas distribution system located in the Reservation that serves the residential and commercial needs of Morongo. SoCalGas' operation of the above are pursuant to four existing ROWs granted by the federal government through the Bureau of Indian Affairs (BIA).[6]

The first ROW was granted by the BIA in 1948 with the rest being granted at different times subsequently. The four ROWs have been renewed at various points in time but are currently set to expire as follows:

Line 2000 – expires on March 29, 2018
Line 5000 – expires on August 21, 2018
Gas Distribution System – expires on August 21, 2018
Line 2001 – expires on March 22, 2020

---

[4] As discussed in the Background section of the decision, SoCalGas revised its request to only track pre-construction costs, and removed its request to also track negotiation and renewal of existing rights-of-way costs.

[5] Revised Application at 3.

[6] SCG-01-A at 1.

The three gas transmission pipelines are part of SoCalGas' Southern System and transport gas received from interstate pipelines. The Southern Transmission System has a receipt point capacity of about 1.2 billion cubic feet per day which represents approximately 26% of the total system receipt point capacity. The three gas transmission pipelines are necessary in providing service to SoCalGas' customers (including Morongo) as well as the San Diego Gas & Electric Company (SDG&E) gas delivery system and for maintaining system reliability.

Appraisals to determine the appropriate valuation of the ROWs were completed in February 2015 and SoCalGas has been negotiating with Morongo for the renewal of the four ROWs since July 2015, when it submitted a formal offer to Morongo for a 50-year renewal. According to SoCalGas however, negotiations for renewal of the ROWs were not progressing and so it has to consider potential relocation of the three transmission lines outside of the Reservation.[7]

4.1. Positions of the Parties

4.1.1. TURN and SCGC

TURN and SCGC state that the memorandum account sought by SoCalGas in this application would create a new and extraordinary vehicle and additional opportunity for potential recovery of pre-construction costs and these costs are one of many costs subsumed and included in SoCalGas' authorized revenue requirement for its 2016 GRC.[8] TURN and SCGC add that the appropriate rate recovery opportunity for such pre-construction costs was the currently

[7] SCG-03-R at 5-6.

[8] SoCalGas 2016 GRC period includes TY 2016 and attrition years 2017 and 2018.

authorized GRC revenue requirement and that SoCalGas has failed to establish that an additional cost recovery opportunity is warranted.

4.1.2. ORA

ORA states that the types of costs SoCalGas seeks to track in the proposed memorandum account do not differ from costs SoCalGas has already been authorized to recover through its 2016 GRC revenue requirement. ORA adds that the settlement adopted between SoCalGas and all parties in its 2016 GRC for capital expenditure amounts were on the assurance that these amounts would allow SoCalGas to meet all of its obligations to perform the work necessary in a safe and reliable manner. Finally, ORA points out that many of the activities described as pre-construction costs in SoCalGas' testimony are activities that are appropriately included in a GRC.

4.1.3. SoCalGas

SoCalGas states that it intentionally excluded Morongo ROW related costs from the 2016 GRC cost forecasts because it did not have sufficient information to reasonably estimate costs at that time. Thus, requesting a memorandum account to track costs associated with a specific item that was not addressed in the 2016 GRC does not violate the terms of the 2016 GRC settlement. SoCalGas adds that a memorandum account is a transparent and appropriate method of tracking costs for future Commission consideration, regardless of the ultimate outcome and that the situation at hand justifies the grant of its request.

4.2. Analysis

SoCalGas identified the types of activities it intends to conduct in connection with pre-construction work for possible relocation of pipelines that pass through the Reservation and subject to expiring ROW agreements.

Specifically, costs are anticipated to be incurred in connection with the following activities:

- determine replacement of existing taps and reconnection to distribution systems;
- identify temporary service needs during shut down operations;
- perform engineering studies, surveys and constructability assessments;
- prepare detailed engineering, design drawings and material lists;
- identify land requirements and permitting agencies; and
- develop environmental permitting requirements and strategy.[9]

TURN, SGGC, and ORA generally do not dispute the necessity of these activities or SoCalGas' need to explore options to address the possibility of the Morongo ROWs not being renewed based on the current progress of negotiations although ORA did point out that options other than full relocation of the pipelines that pass through the Reservation might be feasible. The intervenors state however, that the categories of costs covering the activities described above are not inconsistent with categories of costs identified in SoCalGas' 2016 revenue requirement, as authorized in Decision (D.) 16-06-054. The intervenors add that the Settlement Agreement[10] adopted in D.16-06-054 includes the costs of the full range of SoCalGas' activities and operations for the three-year period covered in the Settlement Agreement from 2016 to 2018, and that costs arising from the

[9] Amended Application at 6-7.

[10] Settlement Agreement regarding SoCalGas' TY2016 GRC revenue requirement, including attrition years 2017 and 2018.

above activities are deemed included in such costs and in SoCalGas' revenue requirement for its 2016 GRC period.

SoCalGas does not dispute that the pre-construction costs it expects to incur and record in its proposed memorandum account are the same types of costs that would have been included in its 2016 GRC except that it specifically excluded these costs from being considered in the 2016 GRC because it did not have sufficient information to reasonably estimate the costs of renewing the Morongo ROW agreements as renewal negotiations only began after the 2016 GRC application had already been filed and negotiations were still in ongoing by the time the Commission issued D.16-06-054 on June 23, 2016.

Based on the above, the main issue in dispute in the proceeding is whether pre-construction costs relating to the possible relocation of the pipelines bypassing the Reservation that the memorandum will track are deemed included in SoCalGas' 2016 GRC revenue requirement or whether they are excluded because SoCalGas specifically excluded these costs from its 2016 GRC forecasts.

The Scoping Memo included the issue of whether the proceeding should consider issues relating to cost recovery as opposed to limiting the issue to the establishment of the memorandum account. Cost recovery is not requested in this application but review and analysis concerning the types of costs to be tracked by the proposed memorandum account is necessary in order to determine whether the request to establish the memorandum account is reasonable and should be granted.

We have reviewed the positions and arguments that parties have raised and examined the testimonies and other exhibits submitted and based on our review, we find that the pre-construction costs to be tracked by the memorandum account are GRC-costs that should have been raised and are

therefore deemed included in SoCalGas' 2016 GRC. SoCalGas argues that these costs were not ripe for inclusion in the 2016 GRC but does not argue or provide evidence that it was prohibited, precluded, or otherwise incapable of including these costs in its 2016 GRC, specifically, in the capital expenditures for gas transmission and engineering. It is also clear that SoCalGas was well aware that the first three ROWS were set to expire during the period covered by the 2016 GRC. SoCalGas made a formal offer to Morongo on July 2015 while the 2016 GRC was still pending but did not make an argument as to what would have been a reasonable time within which to expect a reply from Morongo. Absent any such showing, we find that Morongo's non-response after several months is sufficient time as to alert SoCalGas to the possibility that its offer would not be accepted and that it would have to consider other options and that these events were not unforeseeable.

Moreover, the Settlement Agreement adopted in D.16-06-054 states that it sets forth a complete and final resolution of all revenue-requirement related issues in the 2016 GRC proceeding.[11] As pointed out by TURN and SCGC, Exhibit B of the Settlement Agreement sets out the specific revenue requirement amounts proposed for various areas of SoCalGas' operations with page B-3 covering shared and non-shared gas transmission expenses, and pages B-6 to B-7 addressing the capital expenditures for the gas transmission system.[12] SoCalGas argues that costs relating to the Morongo ROW renewals were not subject to the settlement, nor were they explicitly identified in the 2016 GRC.[13] However, as

---

[11] SoCalGas TY2016 Settlement Agreement at 2.

[12] Ex. TURN/SCGC-01 at 11.

[13] Exhibit SCG-03-R at 7.

SoCalGas admits, its 2016 GRC testimony did not include categories for a number of specific projects, including the new "Major Projects" organization, but rather presented a general forecast covering whatever projects would arise for the entire transmission organization.[14] SoCalGas also does not provide any evidence demonstrating that parties were aware that the Morongo ROW renewals would be treated separately from the Settlement Agreement. Absent such showing, we find it reasonable to assume that parties to the settlement had no knowledge of any such exclusions or additional costs and projects, covering pre-construction costs that are consistent with the categories of costs that SoCalGas identified in its 2016 GRC. Thus, parties had every reason to assume that the revenue requirement determined in the Settlement Agreement addressed all revenue requirement costs within the 2016 GRC period.

Providing a forecast of a utility's revenue requirement for its GRC cycle is a difficult and complex process, but is intended to cover all of the activities and associated costs of providing service during the period covered by the forecasts. While it is SoCalGas that proposes what costs and capital projects to include in its forecast which the Commission then reviews for necessity and reasonableness, the general concept of test year ratemaking is to authorize a rate level based on a reasonable forecast of revenues and costs, while allowing SoCalGas sufficient authority to re-allocate any authorized amounts into capital projects that become necessary within the GRC period to provide safe and reliable service. The Commission is not able to determine on its own whether there are costs that were specifically excluded during a GRC period and it would

[14] Ex TURN/SCGC-01, Attachments at 9.

be a strain on the Commission's resources to have to litigate the necessity and reasonableness of an unspecified number of additional costs and capital projects that may be raised outside of a GRC proceeding because these were specifically excluded from a utilities' GRC. The GRC is the proper proceeding where these types of costs and capital projects should be raised, and SoCalGas did not provide a compelling reason why it should be allowed to deviate from this procedure.

SoCalGas cited two instances[15] in which the Commission has docketed stand-alone projects outside of a GRC. We find however, that the circumstances in this case are different and do not merit similar treatment. This case does not involve a proposed project wherein the costs to be tracked had been reviewed as was the case in A. 89-04-033. In this proceeding, the proposed costs to be recorded in the memorandum account being requested have not been determined and reviewed and are not supported by evidence as was the case in A.02-05-046.

4.3. MROWMA Request in TY 2019 GRC

SoCalGas filed its TY2019 GRC application[16] on October 6, 2017. Its regulatory requests included authority to establish a Morongo Rights-of-Way Memorandum Account (MROWMA) and a Morongo Rights-of-Way Balancing Account (MROWBA). The MROWMA requested in the 2019 GRC would have the same purpose of the memorandum account being requested in this proceeding except for a difference in timing considerations. We find that it is not improper for SoCalGas to make a similar request in its TY2019 GRC because the

[15] A.89-04-033 and A.02-05-046.

[16] A.17-10-008.

costs to be tracked would commence in a different GRC cycle. This decision also does not make any findings or predispositions with respect to SoCalGas' request to establish a MROWMA and a MROWBA in its TY2019 GRC.

4.4. Other Issues

The Scoping Memo included issues concerning the lack of cost estimates and treatment of pre-application costs for pipeline construction in this application. Because we are denying the request to establish a memorandum account, it is no longer necessary to discuss the lack of cost estimates as it becomes moot absent the memorandum account.

The Scoping Memo also included issues regarding the current status of negotiations with Morongo and whether SoCalGas would be able to operate or use the existing pipelines that pass through the reservation if the current ROWs were to expire.

According to SoCalGas, negotiations reached a formal impasse on August 28, 2017, under the terms of the non-disclosure agreement. The written demand of Morongo to renew the ROWs for over 50 years was far in excess of what SoCalGas had proposed.[17] The update concerning the status of negotiations supports the need to consider possible relocation of the pipelines that bypass the Reservation but is not relevant as to whether the costs to be tracked in the proposed memorandum account are already included in SoCalGas' 2016 GRC, which is the primary reason why the request in this application is being denied.

As to whether SoCalGas would be able to operate the pipelines that pass through the Reservation once the ROWs expire, SoCalGas included a request to take judicial notice of a letter from the Regional Director of the BIA attached to its

[17] SCG-03 at 4 to 5.

Reply Brief. Rule 13.9 allows official notice of official acts of the legislative, executive, and judicial departments of the United States and we grant SoCalGas' request. The attached letter from the Regional Director of the BIA informs SoCalGas that a re-submission of its ROW renewal request to the BIA requires tribal consent. However, we find that this issue is also not relevant as to whether the pre-construction costs to be tracked by the proposed memorandum account are deemed included in SoCalGas' 2016 GRC revenue requirement and so this issue does affect our denial of SoCalGas' request.

5. Conclusion

We deny SoCalGas' request for authority to establish a memorandum account to track pre-construction costs for the possible relocation of gas transmission pipelines to bypass the Reservation. We find that the pre-construction costs to be tracked by the memorandum account are GRC-costs that should have been raised and are deemed included in SoCalGas' 2016 GRC. SoCalGas did not provide argument that it was prohibited, precluded, or otherwise incapable of including these costs in its 2016 GRC. Morongo's non-response to SoCalGas' renewal offer after several months is sufficient time as to alert SoCalGas to the possibility that its offer would not be accepted and the 2016 GRC was still pending at this time. The Settlement Agreement adopted in D.16-06-054 states that it sets forth a complete and final resolution of all revenue-requirement related issues in the 2016 GRC proceeding. Parties to the settlement had no knowledge of any exclusions or additional costs and projects and had every reason to assume that the revenue requirement determined in the Settlement Agreement addressed all revenue requirement costs within the 2016 GRC period.

Although this decision denies SoCalGas' request for a memorandum account to record costs during the 2016 GRC cycle, the Commission must still address SoCalGas' pending request for a Morongo Rights of-Way Memorandum Account (MROWMA) in its Test Year (TY) 2019 GRC. SoCalGas' request for authority to establish a MROWMA in its TY 2019 GRC application is not inconsistent or repetitive to its request in this application as the MROWMA in the TY2019 GRC application proposes to track pre-construction costs in a different GRC cycle. This decision make no findings or predispositions with respect to SoCalGas' request to establish a MROWMA in its TY2019 GRC and nothing in this decision precludes SoCalGas from performing actual pre-construction activities relating to the possible relocation of gas transmission pipelines to bypass the Reservation.

6. Safety

While pipelines referenced in this application contribute to service reliability on SoCalGas' Southern System,[18] the requested authority in this application to establish a memorandum account to track pre-construction costs for the possible relocation of gas transmission pipelines to bypass the Reservation does not impact SoCalGas' ability to continue to provide safe and reliable services to its customers. The memorandum account is simply a cost tracking mechanism. SoCalGas further states that it continues to operate segments of transmission lines located within the Reservation in a safe and reliable manner and did not identify any particular concerns if it is prevented from using the existing lines because of the expiring ROWs.[19]

---

[18] SCG-01 at 2.

[19] SCG-02 at 1-4.

7. Categorization and Need for Hearing

In Resolution ALJ 176-3391 dated January 19, 2017, the Commission preliminarily categorized this application as ratesetting as defined in Rule 1.3(e) and determined that this proceeding does not require evidentiary hearings. Parties did not oppose the preliminary categorization but stated at the PHC that hearings may be necessary and so the schedule included the possibility of hearings. All the parties stated later on that hearings were not necessary pursuant to an agreement to identify data request responses to move into the evidentiary record in lieu of cross-examination.

Based on the record, we affirm that the categorization for this proceeding is ratesetting and that hearings are not necessary.

8. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by _____ on _____, and reply comments were filed by _____ on _____.

9. Assignment of Proceeding

Commissioner Carla Peterman is the assigned Commissioner and Rafael Lirag is the assigned ALJ in these proceedings.

Findings of Fact

1. Notice of A.16-12-011 appeared in the Commission's Daily Calendar on December 29, 2016.
2. Protests were timely filed by TURN, ORA and SCGC.
3. In Resolution ALJ 176-3391 dated January 19, 2017, the Commission preliminarily categorized this application as ratesetting as defined in Rule 1.3(e) and determined that this proceeding does not require evidentiary hearings.

4. There are no issues of material fact in contention.

5. SoCalGas is not requesting to recover costs in this application but expects to do so in a separate application or as part of a general rate case application.

6. SoCalGas submitted a formal proposal to Morongo for renewal of the expiring ROWs in July 2015 and did not get a response until more than a year had elapsed.

7. D.16-06-054 was issued on June 23, 2016.

8. SoCalGas did not present evidence as to what is a reasonable time within which to expect a response from Morongo regarding its formal offer to renew the ROWs.

9. The types of costs to be tracked by the proposed memorandum account do not differ from costs SoCalGas had been authorized to recover through its 2016 GRC revenue requirement.

10. The settlement agreement adopted in D.16-06-054 states that it sets forth a complete and final resolution of all revenue-requirement related issues in SoCalGas' 2016 GRC proceeding.

11. Parties to the Settlement Agreement adopted D.16-06-054 were not aware of any costs or capital projects that SoCalGas specifically excluded from settlement negotiations.

12. SoCalGas proposes what costs and capital projects are included in its GRC forecast which the Commission reviews for necessity and reasonableness.

13. The two proceedings cited by SoCalGas wherein the Commission docketed stand-alone projects outside of a GRC proceeding involved different circumstances.

14. SoCalGas' TY2019 GRC application (A.17-10-008) included a request to establish a MROWMA.

15. The MROWMA requested in A.17-10-008 has the same purpose as the memorandum account requested in this proceeding except that the costs to be tracked by the MROWMA would commence in a different GRC cycle.

16. According to SoCalGas, its requested authority to establish a memorandum account to track pre-construction costs for the possible relocation of gas transmission pipelines to bypass the Reservation does not impact its ability to continue to provide safe and reliable service to its customers.

Conclusions of Law

1. Based on the record, the categorization for this proceeding should be ratesetting and hearings are not necessary.

2. Review and analysis concerning the types of costs to be tracked is necessary in order to determine whether the request to establish the proposed memorandum account is reasonable.

3. The preconstruction costs to be tracked by the memorandum account are GRC-costs that should have been raised and are deemed included in SoCalGas' 2016 GRC.

4. SoCalGas was not prohibited or precluded from including the costs to be tracked in its 2016 GRC proceeding.

5. Morongo's non-response to SoCalGas' offer after several months had elapsed is sufficient time to alert SoCalGas that its offer might not be accepted.

6. Parties to the Settlement Agreement adopted in D.16-06-054 had reason to assume that the revenue requirement agreed-upon in the Settlement Agreement addressed all revenue requirement costs in SoCalGas' 2016 GRC period.

7. SoCalGas' GRC is the proper proceeding to raise the types of costs that the proposed memorandum agreement seeks to track and SoCalGas did not provide a compelling reason why it should be allowed to deviate from this procedure.

8. It is not improper for SoCalGas to request authority to establish a MROWMA in its TY2019 GRC application and this decision makes no findings or predispositions regarding such request.

9. The denial of SoCalGas' request to establish the proposed memorandum account makes other issues identified in the Scoping Memo such as the lack of cost estimates, an update on the status of negotiations with Morongo, and whether SoCalGas can operate the pipelines subject to the ROWs once the ROWs expire, moot.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company's request for authority to establish a memorandum account to record pre-construction expenses associated with expiring rights-of-ways of gas transmission pipelines and a gas distribution center located in the Morongo Indian Reservation is denied.

2. This decision makes no predispositions or findings regarding Southern California Gas Company's request for authority to establish a Morongo Rights-of-Way Memorandum Account in Application 17-10-008, which is its Test Year 2019 general rate case application.

3. Hearings are not necessary.

4. Application 16-12-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.