

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



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Application of Southern California Gas Company
(U904G) to Amend Its Certificate of Public
Convenience and Necessity for the Aliso Canyon Gas
Storage Facility

Application 09-09-020
(Filed September 30, 2009)

**JOINT MOTION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G),
WESLEY ROGERS AND MARC HERMAN
FOR ADOPTION OF SETTLEMENT AGREEMENT AND
SUSPENSION OF HEARING AND BRIEFING SCHEDULE**

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November 27, 2012

TABLE OF CONTENTS

Contents	Page
I. BACKGROUND AND SUMMARY	2
II. THE SA IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST	3
A. The SA is Reasonable in Light of the Whole Record and Promotes the Public Interest.....	3
B. The SA is Consistent With Law	5
III. THE COMMISSION SHOULD SUSPEND THE HEARING AND BRIEFING SCHEDULE IN THIS PROCEEDING AND CONSIDER THE SA INSTEAD OF PROCEEDING FURTHER TOWARD A LITIGATED OUTCOME	5
IV. CONCLUSION	6

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In accordance with Rules 11.1 and 12.1(a) of the Commission’s Rules of Practice and Procedure (“Rules”), Southern California Gas Company (“SoCalGas”), Wesley Rogers and Marc Herman (“Protesting Parties”) (collectively “Joint Parties”) hereby move the Commission to adopt the Settlement Agreement (“SA”) attached hereto in Appendix A, which resolves the issue reserved for evidentiary hearings in this proceeding and to suspend the hearing and briefing schedule.¹ As discussed below in more detail, the SA represents agreement among all of the parties taking a position on the issue reserved for evidentiary hearings in this proceeding and resolves that issue set forth in the “Scoping Memo”² issued in this proceeding. The Joint Parties urge the Commission to adopt the SA in its entirety.

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¹ As permitted by Rule 1.8(d), Counsel for SoCalGas has been authorized to sign this motion on behalf of each of the Protesting Parties.

I. BACKGROUND AND SUMMARY

On September 30, 2009, SoCalGas filed the application in this proceeding to amend its Certificate of Public Convenience and Necessity (“CPCN”) to replace three obsolete gas turbine-driven centrifugal compressors (“TDCs”) and associated equipment with a new electric compressor station and construct other improvements at the Aliso Canyon Storage Field. Protests to SoCalGas’ application were filed by the Protesting Parties.

In the Scoping Memo, the Commission noted that environmental issues are being addressed through the California Environmental Quality Act (“CEQA”) review but identified the following issue to be addressed at evidentiary hearings on non-CEQA issues:

Are the rules adopted in R.08-11-005 [Fire Safety OIR] adequate to ensure the safe operation of the Facility? Should requirements (in addition to any mitigation measures that may be recommended in the EIR) be imposed on any CPCN that may be granted in order to improve the safety of the Facility’s operations and to reduce existing fire risks?²

The Scoping Memo required SoCalGas to submit testimony on this issue, and permitted any other party to do so as well, no later than November 16, 2012. Rebuttal testimony would be due by November 30, 2012 and evidentiary hearings would be held on December 19-21, 2012.⁴ In accordance with Rule 12.1(b), SoCalGas convened a settlement conference call on November 26, 2012. Based on that settlement conference and previous settlement discussions with the Protesting Parties – the only parties to submit a protest related to the issue reserved for hearings by the Scoping Memo – SoCalGas and the Protesting Parties agreed to the SA.

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² See “Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge” (“Scoping Memo”) issued October 16, 2012, in this proceeding.

³ Scoping Memo, p. 8.

⁴ Scoping Memo, p. 12. No party other than SoCalGas submitted testimony on November 16th.

II. THE SA IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

Rule 12.1(d) states that the Commission will not approve a settlement “unless the settlement is reasonable in light of the whole record, is consistent with law, and in the public interest.” As discussed below in more detail, the SA fully meets these criteria.

A. The SA is Reasonable in Light of the Whole Record and Promotes the Public Interest.

The issue reserved for hearing by the Scoping Memo was whether any requirements should be imposed on the amended CPCN – in addition to any mitigation measures adopted through the CEQA process – to improve safety at the Aliso Canyon storage facility. As the Scoping Memo noted at pp. 6-7, the Protesting Parties had raised “existing fire risk and operational safety concerns” about the Aliso Canyon facility. The Scoping Memo further noted at p. 7 that Protesting Parties had recommended that a third-party expert be retained to determine appropriate safety protocols for the facility and that additional public oversight of the facility should be implemented in conjunction with the adjacent communities. Such oversight would include “disclosure of SoCalGas’ annual safety and management budget for the Facility, the Facility’s safety and maintenance plan, and all ongoing safety audits, inspections, and maintenance activity logs.”⁵

In its testimony served November 16, 2012, SoCalGas witness Mr. Schwecke described the various safety measures implemented at Aliso Canyon by SoCalGas in recent years. Mr. Schwecke described how the Commission and other agencies regulate the safety of the facility and identified specific safety measures that go beyond those required by regulation. Mr. Schwecke also explained that, in Phase 3 of R.08-11-005, the Commission is specifically

⁵ Scoping Memo, p. 7.

evaluating measures to reduce fire risk for electric distribution lines located in areas of high fire threat like the Aliso Canyon area that, once adopted by the Commission, will apply to SoCalGas' electric distribution system at Aliso Canyon. Mr. Schwecke concluded that no new safety requirements should be adopted in this CPCN proceeding other than mitigation measures ultimately approved by the Commission in the CEQA process.

The SA resolves the issue by adopting a variety of measures that reflect a compromise between the positions of SoCalGas and the Protesting Parties. SoCalGas witness Schwecke proposed that no new non-CEQA safety requirements be adopted as part of the CPCN review, but the SA proposes additional requirements. Specifically, the SA includes provisions requiring SoCalGas to increase its community outreach efforts in the area surrounding the Aliso Canyon facility by convening periodic public meetings to discuss the progress of the TDC project and to answer questions about facility operations. The SA also requires SoCalGas to develop an Aliso Canyon site-specific safety plan and identifies the components of this plan that, among other things, would include: site-specific regulatory requirements; safety-related principles, goals, measurement/evaluation, resources, employee/contractor training, record keeping, fire-related accident investigation procedures and requirements, inspections/audits, and the creation of an employee safety committee. The SA also requires SoCalGas to hire a full-time "Facility Electrical Professional" to oversee safety and regulatory compliance at the facility and requires SoCalGas to establish a website page dedicated to Aliso Canyon facility operations that would include a great variety of safety-related information as detailed in the specific terms of the SA.

Thus, the SA is clearly reasonable in light of the whole record and promotes the public interest. In consideration of the additional requirements placed on SoCalGas by the SA, Protesting Parties have agreed to withdraw their protests in this proceeding. Since no party other

than SoCalGas submitted testimony on the issue reserved for hearing by the Scoping Memo, that issue now stands as uncontested.

The SA is fully supported by the record and is in the public interest. It adopts a series of measures that represent a compromise between the positions of SoCalGas and Protesting Parties, and is thus supported by the record as a whole. By requiring SoCalGas to engage in additional communication with local residents, improve the transparency of safety operations at the Aliso Canyon facility, create a site-specific safety plan, create a new employee safety committee, and hire an additional person at the Aliso Canyon facility to oversee safety and regulatory compliance, the SA clearly promotes the public interest. Moreover, since the Commission is evaluating measures to reduce the fire risk associated with electric distribution systems in areas of high fire threat like Aliso Canyon in R.08-11-005, the Commission should not contemplate different measures in this CPCN proceeding that could conflict with those adopted in R.08-11-005.

B. The SA Is Consistent With Law

Since the issues resolved by the SA are issues within the Commission's authority to attach conditions to a CPCN and do not violate any other laws, there is no question that the SA is fully consistent with law.

III. THE COMMISSION SHOULD SUSPEND THE HEARING AND BRIEFING SCHEDULE IN THIS PROCEEDING AND CONSIDER THE SA INSTEAD OF PROCEEDING FURTHER TOWARD A LITIGATED OUTCOME

The SA represents agreement of SoCalGas and the Protesting Parties which were the only parties to this proceeding addressing the issue reserved for hearings by the Scoping Memo. Proceeding further toward a litigated outcome would only serve to consume the resources of the Commission and the parties. The Commission instead should focus squarely on approving the

APPENDIX A

SETTLEMENT AGREEMENT

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Application of Southern California Gas Company
(U904G) to Amend Its Certificate of Public
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Storage Facility

Application 09-09-020
(Filed September 30, 2009)

SETTLEMENT AGREEMENT

Pursuant to Rule 12 of the Commission’s Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”) and Wesley Rogers and Marc Herman (“Protesting Parties”) [collectively referred to hereafter as “Joint Parties”] respectfully submit to the Commission this Settlement Agreement.¹ In this Settlement Agreement, the Joint Parties provide to the Commission a recommended resolution of the issue set for hearings by the “Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge” issued October 16, 2012 (“Scoping Memo”).

I. INTRODUCTION AND SUMMARY

On September 30, 2009, SoCalGas filed the application in this proceeding to amend its Certificate of Public Convenience and Necessity (“CPCN”) to replace three obsolete gas turbine-driven centrifugal compressors (“TDCs”) and associated equipment with a new electric compressor station and construct other improvements at the Aliso Canyon Storage Field. Protests to SoCalGas’ application were filed by the Protesting Parties.

In the Scoping Memo, the Commission noted that environmental issues are being addressed through the California Environmental Quality Act (“CEQA”) but identified the

¹ Counsel for SoCalGas has been authorized by Protesting Parties to execute and file this Settlement Agreement on their behalf.

following issue to be addressed at evidentiary hearings on non-CEQA issues:

Are the rules adopted in R.08-11-005 [Fire Safety OIR] adequate to ensure the safe operation of the Facility? Should requirements (in addition to any mitigation measures that may be recommended in the EIR) be imposed on any CPCN that may be granted in order to improve the safety of the Facility's operations and to reduce existing fire risks?²

The Scoping Memo required SoCalGas to submit testimony on this issue, and permitted any other party to do so as well, no later than November 19, 2012. Rebuttal testimony would be due by November 30, 2012 and evidentiary hearings would be held on December 19-21, 2012.³ In accordance with Rule 12.1(b), SoCalGas convened a settlement conference call on November 26, 2012. Based on that settlement conference and previous settlement discussions with the Protesting Parties – the only parties to submit a protest related to the issue reserved for hearings by the Scoping Memo – SoCalGas and the Protesting Parties agreed to this Settlement Agreement.

The Settlement Agreement resolves the issue reserved for hearings by requiring SoCalGas to accept certain conditions to the granting of the requested CPCN amendment. Specifically, the Settlement Agreement includes provisions requiring SoCalGas to increase its community outreach efforts in the area surrounding the Aliso Canyon facility by convening periodic public meetings to discuss the progress of the TDC project and to answer questions about facility operations. The Settlement Agreement also requires SoCalGas to develop an Aliso Canyon site-specific safety plan and identifies the components of this plan that, among other things, would include: site-specific regulatory requirements; safety-related principles, goals, measurement/evaluation, resources, employee/contractor training, record keeping, fire-related accident investigation procedures and requirements, inspections/audits, and the creation of an

² Scoping Memo, p. 8.

employee safety committee. The Settlement Agreement also requires SoCalGas to hire a full-time “Facility Electrical Professional” to oversee safety and regulatory compliance at the facility and requires SoCalGas to establish a website page dedicated to Aliso Canyon facility operations that would include a great variety of safety-related information as detailed in the specific terms of this Settlement Agreement.

II. REASONABLENESS OF THE SETTLEMENT

This Settlement Agreement complies with the Commission’s requirements that settlements be reasonable, consistent with law, and clearly in the public interest. The Joint Parties have recognized that there is risk involved in litigation, and that no party was likely to be 100% successful in supporting its position. The Joint Parties have vigorously argued their positions in this matter, and have reached compromise positions that they believe are appropriate in light of the litigation risks. This Settlement Agreement reflects the Joint Parties’ best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the bottom line result achieved.

III. SPECIFIC SETTLEMENT TERMS AND CONDITIONS

A. General Provisions

1. SoCalGas will accept the following conditions to its Amended Certificate of Public Convenience and Necessity in A.09-09-020.
2. Protesting Parties agree to withdraw their protests to the application in consideration of the conditions to which SoCalGas is agreeing.

B. Community Involvement

1. SoCalGas will host quarterly community meetings to brief local residents on the Aliso Canyon Turbine Replacement project’s developments and key milestones beginning

³ Scoping Memo, p. 12.

6 months after final decision in the case.

2. Beginning in 2013, SoCalGas will host an annual community informational event to discuss activities at the field and answer questions from the community with respect to operations at the Aliso Canyon Storage Facility.

C. Safety Plan

1. SoCalGas will develop and implement an Aliso Canyon Gas Storage Facility site-specific safety plan (“Aliso Canyon Safety Plan”) that details each of the safety-related regulatory requirements, and the general actions and activities that SoCalGas undertakes to meet the requirements consistent with SoCalGas’ overall Safety Plan. The Aliso Canyon Safety Plan will specify Aliso facility safety, management commitment and responsibilities, regulatory requirements, compliance and recordkeeping requirements, employee education and training overviews, inspections/audits/corrective actions procedures and management as they pertain to safety. The Aliso Canyon Safety Plan will encompass SoCalGas’ gas and electric operations at Aliso Canyon and include the following:

a) Basic Plan Elements

- (1) Purpose of the document.
- (2) Statement of policy; mission statement; safety philosophy.
- (3) Principles, goals, objectives, procedures, evaluation and measures statement
- (4) Organizational safety chart
- (5) Roles and responsibilities
- (6) Resources
- (7) General information about meetings

- (8) Management support (commitment, direction, roles)

b) Regulatory Compliance and Recordkeeping

- (1) Identify pertinent safety related regulations and standards, and relevant agencies: OSHA, DOT, CPUC, LAFD, LA County Fire, Aliso Facility specific requirements, etc.
- (2) OSHA requirements and compliance, including recordkeeping and inspections.
- (3) Reportable Job Related Accident and injury procedures and report requirements.
- (4) Fire, power line and pipeline failure investigation procedures and report requirements.

c) Employee/Contractor Safe Practices

- (1) Employee education and training as it applies to safety and performing job assignments.
- (2) Contractor qualification/training requirements.

d) Inspections and Audits

- (1) Self-initiated safety inspections and compliance with facility policies/rules.
- (2) Safety plan, inspection and equipment maintenance safety audits.
- (3) Reporting requirements and responsibility.

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e) Aliso Canyon Employee Safety Committee

- (1) Function, authority, roles and responsibilities of the Aliso Canyon Employee Safety Committee.
- (2) Safety meetings and minutes requirements.

2. SoCalGas agrees to employ the resources of a Facility Electrical Professional at the Aliso Canyon facility. The Facility Electrical Professional will be based fulltime at Aliso Canyon and will oversee facility safety and regulatory compliance for SoCalGas' Aliso Canyon electric systems.

D. Facility Information

1. SoCalGas will develop and maintain a publically accessible website page dedicated to the Aliso Canyon operations. Included on the website will be the following information:

- a) Fire brush clearing schedule with completion dates obtained
- b) Copies of SoCalGas' annual GO 95 and GO 165 reports submitted to the CPUC
- c) Project updates, and near-term activities including any community meetings scheduled
- d) Applicable public CPUC Safety Audit Reports
- e) Vegetation and weather criteria used in evaluating shut-down of SoCalGas' electric overhead distribution facility
- f) Notices of overhead electrical distribution facility shut-downs due to current vegetation and weather information
- g) Links to current vegetation and weather conditions applicable to

- Aliso Canyon overhead electric facility shutdown procedures
- h) Links to SoCalGas' safety website, including information related to SoCalGas' Emergency Response Planning, Natural Gas Safety, Pipeline Safety (including maps of transmission and high-pressure pipelines) and SoCalGas' Safety Plan.
 - i) SoCalGas Aliso Canyon Safety plan.
 - j) Aliso Canyon community contact, inquiry, comments and suggestions page.
 - k) Safety audits and inspections status conducted by Public Agencies or Management Personnel within 30 days of inspection.

E. Timeline for development and implementation of the settlement agreement terms and conditions will begin once the Commission has approved the settlement agreement and issued a decision in A.09-09-020 granting SoCalGas' request to amend its CPCN to authorize the construction of the Proposed Project. Elements to be addressed in the timeline are as follows:

1. Employment of a Facility Electrical Professional (3 months after Commission decision)
2. Establish Aliso Canyon Safety Plan (3 months after Commission decision)
3. Launch Aliso Canyon's Website (3 months after Commission decision)
4. Establish Aliso Canyon Employee Safety Committee (1 month after Commission decision)

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IV. ADDITIONAL TERMS AND CONDITIONS

A. The Public Interest

The Joint Parties agree jointly by executing and submitting this Settlement Agreement that the relief requested herein is just, fair and reasonable, and in the public interest.

B. Non-Precedential Effect

This Settlement Agreement is not intended by the Joint Parties to be binding precedent for any future proceeding. The Joint Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the settlement embodied in this Settlement Agreement. Each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Settlement Agreement, and the Joint Parties expressly declare that, as provided in Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement Agreement should not be considered as a precedent for or against them. Likewise, the Settlement Agreement explicitly does not establish any precedent on the litigated issues in the case.

C. Indivisibility

This Settlement Agreement embodies compromises of the Joint Parties' positions. No individual term of this Settlement Agreement is assented to by any Settling Party, except in consideration of the other Joint Parties' assents to all other terms. Thus, the Settlement Agreement is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Joint Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the

balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Joint Parties acknowledge that the positions expressed in the Settlement Agreement were reached after consideration of all positions advanced in the prepared testimony of SoCalGas and the protests of the Protesting Parties, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of Joint Parties on all of those issues, except as specifically described within the Settlement Agreement. The terms and conditions of this Settlement Agreement may only be modified in writing subscribed by all Joint Parties.

Dated this 27th day of November, 2012.

SOUTHERN CALIFORNIA GAS COMPANY

PROTESTING PARTIES

By: /s/ Rodger Schwecke
RODGER SCHWECKE
Storage Director

By: /s/ Wesley Rogers
WESLEY ROGERS
Protesting Party

By: /s/ Marc Herman
MARC HERMAN
Protesting Party