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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms.

Rulemaking 11-02-019
(Filed February 24, 2011)

ASSIGNED COMMISSIONER'S RULING DIRECTING FILING OF STATUS REPORT BY THE CONSUMER PROTECTION AND SAFETY DIVISION AND PACIFIC GAS AND ELECTRIC COMPANY REGARDING COMPLIANCE WITH MAXIMUM ALLOWABLE OPERATING PRESSURE VALIDATION PROCEDURES

A. Background

On March 24, 2011, in Decision (D.) 11-03-047, the Commission issued its Order to Show Cause Why Pacific Gas and Electric Company Should Not Be Found in Contempt, and Why Penalties Should Not Be Imposed, For Failure to Company with Commission Order. The Commission found that Pacific Gas and Electric Company (PG&E) appeared to have failed to comply with Commission Resolution L-410 and Rulemaking (R.) 11-02-019. The Resolution and Rulemaking decision required PG&E to review "traceable, verifiable, and complete" as-built drawings and pipeline system components and, based on the reliable pipeline specifications, calculate the Maximum Allowable Operating Pressure (MAOP). The Order to Show Cause set a hearing for PG&E to present evidence. At the hearing on March 28, 2011, PG&E and the Commission's Consumer Protection and Safety Division (CPSD) announced that they had reached a stipulation that provided for a detailed compliance plan for PG&E as

well as an immediate fine of \$3 million, with an additional \$3 million payment for any failure to conform to the compliance plan. On March 30, 2011, PG&E and CPSD filed separate motions for Commission approval of the stipulation.

The Commission categorized the Order to Show Cause as adjudicatory and, consistent with Rules 1.3(a) and 8.2(b), *ex parte* communications regarding the Order to Show Cause were prohibited. Pursuant to Public Utilities Code § 1701.2(d), adjudicatory proceedings are to be completed by the Commission within one year of initiation, absent a Commission order extending the deadline.

B. Status Report

I find that the Commission and the public would benefit from a status report on PG&E's compliance with Resolution L-410 and R.11-02-019 and, based on this status, recommendations as to next steps in furtherance of the public interest. CPSD should particularly address whether it believes that PG&E's actions subsequent to the March order and hearing have achieved the purpose of the MAOP validation requirements set forth in the Resolution and Rulemaking, and whether the specific terms of the stipulation remain necessary to achieve CPSD's enforcement objectives.

As the parties know, we are preparing an evidentiary record considering PG&E's Implementation Plan to pressure test or replace its natural gas transmission pipelines. As part of that Plan, PG&E was required to and did propose that shareholders would be responsible for a portion of the Implementation Plan costs. In the status report, among other things, PG&E and CPSD should consider whether in light of subsequent developments, including the filing the Implementation Plan, the provisions of the stipulation are still necessary or if other superior alternatives exist for achieving CPSD's enforcement goals.

C. Schedule

CPSD and PG&E shall file and serve status reports, either jointly or separately, addressing the above-stated topics no later than February 3, 2012.

Parties may file and serve responses no later than February 17, 2012.

IT IS SO RULED.

Dated January 19, 2012, at San Francisco, California.

/s/ MICHEL PETER FLORIO
Michel Peter Florio
Assigned Commissioner