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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)

SCOPING MEMO AND RULING OF THE ASSIGNED COMMISSIONER

Pursuant to Rule 7.3(a) of the Commission's Rules of Practice and Procedure, this ruling sets forth the initial procedural schedule, assigns a presiding officer, and addresses the scope of this stage of the proceeding.

1. Background

The Commission opened this proceeding after the September 9, 2010, rupture of a 30-inch diameter natural gas transmission pipeline in San Bruno, California, owned and operated by Pacific Gas and Electric Company (PG&E), as a forward looking effort to establish a new model of natural gas pipeline safety regulations applicable to all California pipelines. The primary objectives of this proceeding are to consolidate and coordinate efforts to adopt new safety and reliability regulations for natural gas transmission and distribution systems in California, obtain public input, and propose rule and policy changes as necessary. The Commission set out its objectives as follows:

- A. Provide the public with a means to make their views known to this Commission.

- B. Provide the public with the Independent Review Panel's expert recommendations regarding the technical explanation for the explosion, assessment of likelihood that similar events may occur, and recommendations for preventive measures and other improvements.
- C. Develop and adopt safety-related changes to the Commission's regulation of natural gas transmission and distribution pipelines, including requirements for construction, especially shut-off valves, maintenance, inspections, operation, record retention, ratemaking, and the application of penalties.
- D. Consider ways that this Commission can undertake a comprehensive risk assessment for all natural gas pipelines regulated by this Commission, and possibly for other industries that the Commission regulates.
- E. Consider available options for the Commission to better align ratemaking policies, practices, and incentives to elevate safety considerations, and maintain utility management focus on the "nuts and bolts" details of prudent utility operations.
- F. Consider the appropriate balance between the Commission's obligation to conduct its proceedings in a manner open to the public with the legitimate public safety concerns that arise from unlimited availability of certain utility information.
- G. Consider if the Commission needs further rules or other protection for whistleblowers to inform the Commission of safety hazards.
- H. Expand the Commission's emergency and disaster planning coordination with local officials.

Since initiating this proceeding, the Commission convened Public Participation Hearings in San Bruno, Los Angeles, and Santa Rosa. The

Commission has also received the report from the Independent Review Panel on which it seeks comments as scheduled below.¹

On June 2, the assigned Administrative Law Judge (ALJ) convened the first prehearing conference in this proceeding. The schedule set out below is slightly modified from that discussed at the prehearing conference.

On June 9, 2011, the Commission issued D.11-06-017 requiring all natural gas transmission system operators to file and serve implementation plans to pressure test or replace all transmission pipeline without reliable records of pressure testing. The directives of D.11-06-017 will largely define the scope for the initial stage of this proceeding. Additional issues will be set forth in subsequent scoping memos.

2. Initial Scope and Schedule

The initial scope will include the preparation and filing of the implementation plans required by D.11-06-017 as well as comments on the Independent Review Panel's report.

In D.11-06-017, the Commission ordered all California natural gas transmission operators to develop and file for Commission consideration a Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (Implementation Plan) to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipeline that have not been pressure tested.

¹ In Decision (D.) 11-03-047, the Commission issued an Order to Show Cause why Pacific Gas and Electric Company (PG&E) should not be found in contempt and why penalties should not be imposed, for failure to comply with a Commission order, and has held hearings and an oral argument with respect thereto. The Order to Show Cause is not addressed by this scoping memo.

The Commission determined that the Implementation Plans may include alternatives that demonstrably achieve the same standard of safety but must include a prioritized schedule based on risk assessment and maintaining service reliability, as well as cost estimates with proposed ratemaking. In the interim, the Commission ordered PG&E to continue to work on its determination of Maximum Allowable Operating Pressure through pipeline features analysis and to use the result of that analysis to impose further pressure reductions as necessary pending replacement or testing. PG&E may use engineering-based assumptions for this analysis where required due to missing records.

The Commission also ordered that a series of technical workshops be convened prior to the filing of the Implementation Plans to assist the operators in prioritizing segments in their Implementation Plans.

The report of the Independent Panel is available on the Commission's web site at http://www.cpuc.ca.gov/PUC/events/110609_sbpanel.htm. The report has three purposes, as set forth in the Executive Summary: to enhance the understanding of all parties as to what occurred in San Bruno and some of the underlying reasons for the incident; to delve into the complexities of pipeline integrity management and the regulatory oversight of these activities; and to offer recommendations for future actions, which can be considered to reduce the likelihood of future incidents.

Parties may file and serve comments on the Independent Review Panel's Report, as set forth in the schedule below. Parties should include in their comments any recommendations as to procedural or substantive changes that should be made to the directives for the Implementation Plans.

Schedule Event	Date
Discovery	On-going, with 10-day turn around.
Workshop: Development of utility Implementation Plans: description of existing transmission pipeline systems, overview of potential safety issues, and discussion of approaches to prioritizing pipeline segments for replacement or pressure testing, and considering whether to make changes to valves.	June 22-23, 2011, if necessary, July 7, 2011 Commission Offices 505 Van Ness Avenue San Francisco, California
In-line Inspection Symposium	June 24, 2011
Comments on Independent Review Panel Report Filed and Served	July 15, 2011
Reply Comments on Independent Review Panel Report Filed and Served	July 29, 2011
Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan filed and served. Supporting Testimony served only.	August 26, 2011
Second Prehearing Conference	To be scheduled after release of National Transportation Safety Board report
Parties Serve Testimony	October 17, 2011
Respondents Serve Rebuttal Testimony	October 28, 2011
Evidentiary Hearings	November 7-10, and November 14, 2011 Commission Hearing Rooms, 505 Van Ness Avenue, San Francisco CA
Briefing Schedule	To be set at the conclusion of hearings

The initial schedule is as set forth above. If so required, the presiding officer may alter this schedule. In any event, I anticipate that this portion the proceeding should be resolved within 18 months of the issuance of this scoping memo, pursuant to Pub. Util. Code Section 1701.5. Subsequent scoping memos

will address other issues to be resolved in this proceeding. We identify two specific issues below.

Pursuant to D.11-06-017, the Chief Administrative Law Judge has assigned Administrative Law Judge Jean Vieth to serve as the facilitator for the workshops.

3. PG&E Status Reports on Pressure Testing During 2011

As noted in D.11-06-017, PG&E has initiated its plan to pressure test or replace 152 miles of natural gas transmission pipeline with characteristics similar to ruptured segment of Line 132 in San Bruno during 2011. During the prehearing conference, parties discussed the usefulness of status reports on PG&E's efforts, and PG&E agreed to provide such reports.

4. First Responders

The Commission Consumer Protection and Safety Division may pursue the issue of natural gas system operators working more closely with first responders during the timeframe covered by this schedule.

5. On-going Protection for Whistleblowers

As noted above, the Commission intends to review protections for whistleblowers in this proceeding, and whether the Commission has in place sufficient protections and programs to prevent retaliation against for any employee or officer that wishes to provide information to the Commission.

6. Category of Proceeding and Need for Hearing

This ruling confirms that, except for the Order to Show Cause which is categorized as adjudicatory, this proceeding is categorized as ratesetting as preliminarily determined in the Order Instituting Rulemaking. Hearings will be required for the initial stage.

7. Assignment of the Presiding Officer

ALJ Maribeth A. Bushey will be the presiding officer.

8. Ex Parte Rules

Article 8 of the Commission's Rules of Practice and Procedure applies to all communications with decisionmakers and advisors regarding the issues in this proceeding. For the ratesetting portion of this proceeding, Rule 8.2(c) restricts *ex parte* communications under certain circumstances and requires reporting. For the adjudicatory portion of this proceeding, Rule 8.2(b) prohibits *ex parte* communications.

IT IS RULED that:

1. The initial scope of the proceeding is as set forth herein.
2. The schedule is as set forth herein, and may be modified by the Administrative Law Judge if needed.
3. The presiding officer will be Administrative Law Judge Maribeth A. Bushey.
4. This ruling confirms that, except for the Order to Show Cause portion of this proceeding, this proceeding is categorized as ratesetting and scheduled for hearing.
5. Pacific Gas and Electric Company shall provide status reports on its natural gas transmission pipeline pressure testing and replacement efforts for 152 miles of pipeline. The first such report shall be filed and served no later than June 30, 2011, and at 30-day intervals thereafter.
6. *Ex parte* communications as to the ratesetting portion of this proceeding are restricted by Rule 8.2(c) and reportable as provided in Rule 8.3 of the Commission's Rules of Practice and Procedure. *Ex parte* communications are prohibited in the adjudicatory portion of this proceeding pursuant to Rule 8.2 (b).

R.11-02-019 MF1/lil

Dated June 16, 2011, at San Francisco, California.

/s/ MICHEL PETER FLORIO
Michel Peter Florio