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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)

RULING OF ASSIGNED COMMISSIONER AND ASSIGNED ADMINISTRATIVE LAW JUDGE DIRECTING PACIFIC GAS AND ELECTRIC COMPANY TO APPEAR AND SHOW CAUSE WHY ALL COMMISSION DECISIONS AUTHORIZING INCREASED OPERATING PRESSURE SHOULD NOT BE STAYED PENDING DEMONSTRATION THAT RECORDS ARE RELIABLE

Background

On December 15, 2011, the Commission issued Decision (D.) 11-12-048 which authorized Pacific Gas and Electric Company (PG&E) to operate Line 101, 132A, and 147 at pressure no higher than 365 pounds per square inch gauge (psig). In that Decision, the Commission found that PG&E had "developed a pipeline features list showing each component and its characteristics, and completed maximum operating pressure validation for all pipelines and associated components."[1] At the evidentiary hearing PG&E "presented its Vice President of Gas Transmission Maintenance and Construction to testify that PG&E's engineers had validated the engineering and construction through

[1] D.11-12-048 at 4.

records review of piping and all associated components."[2]

In evaluating PG&E's presentation, the Commission relied on the standards it adopted in D.11-09-006, which required, among other things, that PG&E have a responsible engineer review the pipeline construction and assess the pressure test results to ensure safe operations. The Commission found that PG&E stated that its Maximum Allowable Operation Pressure (MAOP) validation process began with "a pipeline features list showing each component of the pipeline facilities . . ., based on design plans, as-built drawings, purchase orders, pressure test records, coating information as well as other available documents."[3] Based on the pipeline features list, PG&E then established the maximum pressure for each feature. The Commission concluded that PG&E had demonstrated that Lines 101, 132A, and 147 could be safely operated at a maximum operating pressure of 365 psig.

On July 3, 2013, PG&E, presented for filing with the Commission a document entitled "Errata to Pacific Gas and Electric Company's Supporting Documentation for Lifting Operating Pressure Restrictions on Line 101 and 147."

That document stated that the supporting information PG&E filed with the Commission on October 31, 2011, to justify its request to lift operating pressure restrictions on Line 147 and 101 contained errors. In its July 2013 document, PG&E revealed it had subsequently discovered that some sections of Line 147 pipeline actually had Single Submerged Arc Welds, to which PG&E's standards apply a joint efficiency factor of 0.8. The lower joint efficiency factor reduced the

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[2] *Id.* at 5.

[3] *Id.* at 7.

pipeline's MAOP from 365 psig, as approved in D.11-12-048, to 330 psig.

The 2013 document also stated that the pipeline had been pressure tested to a minimum of 612 psig, and a spike test of 669 psig, in 2011 and that PG&E was operating it at 300 psig. Under typical circumstances, this MAOP reduction would not require Commission action but in D.11-12-048 the Commission set the MAOP at 365 psig.

The 2013 document stated that the Line 101 MAOP of 365 psig relied on a 1989 pressure test to 650 psig. PG&E explained that according to its interpretation of a then-applicable but subsequently repealed section of federal regulations it should not have relied on the 1989 pressure test. Consequently, PG&E concluded that the correct pipeline feature MAOP was 330 psig, not the 365 approved by the Commission in D.11-12-048.

The Commission's Docket Office rejected the July 3, 2013, document for filing on August 2, 2013, as untimely to the extent that it sought to make a substantive change to issues in a previously filed document which the Commission had resolved by decision.

Public Safety of Lines 147 and 101

Prior to issuing this ruling, we immediately conferred with the Commission's Safety and Enforcement Division to confirm the representations by PG&E that the lines have been pressure tested and are being operated at reduced MAOP. The Safety and Enforcement Division has confirmed PG&E's representations and agrees that so long as properly conducted pressure tests were performed as represented, Lines 147 and 101 can be operated consistent with General Order 112-E at the reduced pressures. The Safety and Enforcement Division emphasized the importance of pressure testing to guard against any record-keeping shortcomings, and agreed that all public safety issues have been

addressed by PG&E's operational actions. The Chief Administrative Law Judge is holding a separate hearing to address the ethical issues raised by the attempted filing of the July document.

Having addressed the public safety issue and ethical compliance being addressed elsewhere, we turn to the substantive issues raised by PG&E's July document.

Continuing Inaccuracy of PG&E's Natural Gas Transmission System Records

The issue of accurate natural gas transmission system records has dominated this proceeding since the Commission issued this Order Instituting Rulemaking in February 2011. Moreover, the Commission opened Investigation 11-02-016 for the specific purpose of reviewing PG&E's compliance with state and federal record-keeping requirements.

In D.11-06-017, the Commission summarized the history of PG&E's efforts to validate the accurate maximum allowable operating pressure for its natural gas pipeline following the tragic San Bruno rupture and explosion:

> As the detailed history set out above shows, this project to validate MAOP was set in motion by the NTSB's justifiable alarm at PG&E's records being inconsistent with the actual pipeline found in the ground in Line 132. The pipeline features data for Line 132 were not missing; the recorded data were factually inaccurate. Records containing inaccurate pipeline features are fundamentally different from simply missing records. Curing PG&E's unreliable natural gas pipeline records was the obvious goal of the NTSB's recommendation to obtain "traceable, verifiable, and complete" records and, with reliably accurate data, calculate a dependable MAOP.
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> PG&E and SoCalGas/SDG&E state that such records are not available, especially for the older vintage pipelines. Notwithstanding the utilities' record-keeping challenges,

> these missing records are particularly needed because the older pipelines were exempted from pressure testing requirements and many have not been pressure tested.
>
> Consequently, the untested pipelines are also some of the oldest in the natural gas transmission system and the more likely to lack a complete set of documents allowing pipeline feature documents to be established without the use of assumptions. We find that this circumstance is not consistent with this Commission's obligations to promote the safety, health, comfort, and convenience of utility patrons, employees, and the public. We conclude, therefore, that all natural gas transmission pipelines in service in California must be brought into compliance with modern standards for safety. Historic exemptions must come to an end with an orderly and cost-conscience implementation plan.[4]

On August 26, 2011, PG&E filed its Implementation Plan to pressure test or replace all natural gas transmission pipeline, and stated that it expected to spend $271.9 million reviewing and upgrading its pipeline records.[5]

Despite this intense level of interest and review, on October 31, 2011, PG&E filed a pipeline features analysis which it now acknowledges was based on erroneous pipeline records, and those errors included showing pipeline as being seamless or double-arc welded when the pipeline actually included components that used welds for which PG&E reduces the joint efficiency factor by 20%, and a reduction in the maximum allowable operating pressure, of the segment subject to the errata, of 35 psig.

More troubling is the means by which PG&E came to realize its error – a fortuitous leak repair. PG&E explains that "during the investigation and repair

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[4] D.11-06-017 at 17–18.

[5] Hearing Exhibit 2 at 5-13.

of a non-hazardous gas leak found during a scheduled leak survey" it determined that its records showing the pipeline as seamless or double-arc welded were wrong and that the pipeline was comprised of "early vintage A.O. Smith pipe and single submerged arc welded pipe."[6] Thus, but for the happenstance of a leak and astute observations by repair technicians, this error would not have come to light.

Nearly three years on San Bruno tragedy and the expenditure of hundreds of millions of dollars for record review and validation, the facts set forth in PG&E's July filing are profoundly troubling.

Order to Show Cause

Due to the serious issues raised in the attempted July filing, PG&E is ordered to appear at the hearing scheduled below and show cause why all orders issued by this Commission authorizing increased operating pressures should not immediately suspended pending competent demonstration that PG&E's natural gas system records are reliable.

No later than August 30, 2013, PG&E shall file and serve a verified statement of its Vice President of Gas Transmission Maintenance and Construction setting forth the exact events, with dates, which revealed PG&E's errors, and PG&E's subsequent actions.

At the hearing, other parties may appear and cross examine PG&E's Vice President and any other witnesses. A quorum of the Commission may attend the hearing.

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[6] PG&E Errata at 2.

Further procedural schedules, if any, will be set following that hearing.

Friday, September 6, 2013
1:30 p.m.
Commission Hearing Room
505 Van Ness Avenue
San Francisco, CA 94102

IT IS SO RULED.

Dated August 19, 2013, at San Francisco, California.

/s/ MICHEL PETER FLORIO	/s/ MARIBETH A. BUSHEY
Michel Peter Florio	Maribeth A. Bushey
Assigned Commissioner	Administrative Law Judge