



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

**FILED**  
2-10-17  
04:59 PM

Order Instituting Rulemaking to Adopt Rules  
and Procedures Governing Commission-  
Regulated Natural Gas Pipelines and Facilities  
to Reduce Natural Gas Leakage Consistent  
With Senate Bill 1371.

R.15-01-008  
(Filed January 15, 2015)

**PACIFIC GAS AND ELECTRIC COMPANY'S OPENING COMMENTS  
ON ADMINISTRATIVE LAW JUDGE'S RULING ENTERING  
CALIFORNIA AIR RESOURCES BOARD AND CALIFORNIA PUBLIC  
UTILITIES COMMISSION JOINT STAFF ANNUAL REPORT ON  
ANALYSIS OF JUNE 17, 2016 UTILITIES' REPORTS AND  
COMMISSION STAFF PROPOSAL ON BEST PRACTICES INTO THE  
RECORD AND SEEKING COMMENTS**

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Dated: February 10, 2017

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**I. INTRODUCTION**

Pursuant to the Administrative Law Judge's Ruling Entering California Air Resources Board ("ARB") and California Public Utilities Commission ("Commission" or "CPUC") Joint Staff Annual Report on Analysis of June 17, 2016 Utilities' Reports and Commission Staff Proposal on Best Practices Into the Record and Seeking Comments ("Ruling"), issued on January 19, 2017, Pacific Gas and Electric Company ("PG&E") respectfully submits the following opening comments.

**II. COMMENTS ON JOINT STAFF ANNUAL REPORT ON ANALYSIS OF  
JUNE 17, 2016 UTILITIES' REPORTS**

**A. Does the January 2017 Joint Staff Annual Report clearly illustrate the trends of findings based on ARB/Commission staff's analysis of the June 17, 2016, reports?**

PG&E thanks both Commission and ARB staff for their continued efforts and collaboration to improve the quantification and measurement of methane emissions. The 2017 Joint Staff Annual Report provides an accurate depiction of the emission trends observed by PG&E. The top four natural gas utility emission source categories for California identified by

staff<sup>1/</sup> are aligned with PG&E's report: distribution pipeline leaks, customer meter set leaks, and distribution and transmission measurement and regulation ("M&R") stations.

As noted within the Joint Staff Annual Report, refining emission factors can help provide greater accuracy for emissions reporting.<sup>2/</sup> PG&E, along with other utilities, have been engaging with both the CPUC and ARB to develop a new methodology for calculating emissions for some of these source categories, and to help identify more accurate emission factors. PG&E appreciates the efforts made by the agencies and stakeholders to continue in these efforts and offers input on how to further improve the accuracy of emissions reporting below.

**M&R Stations:** PG&E recommends that the Commission and ARB use the Washington State University ("WSU") emission factors for distribution M&R stations. The emission factors for these stations are currently based on 1996 GRI/EPA study and do not take into account technological advances in station equipment and improvements in maintenance practices. It is imperative that the best and most recent available data be used for deriving emission factors to capture emissions from the different sectors as accurately as possible.

**Customer Meter Sets:** PG&E has been working with other utilities to capture leak reduction efforts across its customer meters in calculating emissions. The proposed methodology would refine the existing calculations by using an emission factor per leak identified on a customer meter set assembly ("MSA"). This approach will allow the utilities to demonstrate emission reduction by reducing the number of open leaks on their MSAs.

**Distribution Pipeline Leaks:** Most of PG&E's open distribution leaks are classified as Grade 3 and are monitored leaks. For most of these leaks, PG&E cannot readily confirm the pipe material and applies a conservative emission factor. This results in the estimated emissions from these leaks appearing larger than actual emissions.

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<sup>1/</sup> Ruling at Attachment 1 (Joint Staff Report), pp. 4, 17.

<sup>2/</sup> *Id.* at pp. 5-6, 32-35.

Additionally, PG&E would like to clarify the timeframes for open leaks in its report. The annual report summary outlined concerns about the period for open leaks, and noted that some Grade 2 leaks exceeded the leak repair times required by law.<sup>3/</sup> All leaks are recorded using their initial discovery date and grade. While PG&E reclassifies Grade 3 leaks if needed (i.e., from a Grade 3 to a Grade 2 based on monitoring results), the leak discovery date does not change to reflect when the leak was reclassified. This results in several Grade 2 leaks appearing to be open for an increased period of time. In addition, PG&E has accelerated its repair practice bringing the number of open Grade 2/2+ leaks down to from over 12,000 in 2010, to 94 at the end of 2015.

**B. Are there “lessons learned” from this reporting and analysis process that were not identified by staff?**

See response II.A above. It is critical to continue to refine the technology, methods, and emissions factors used to develop annual reports. Better measurements and estimates can help operators accurately identify sectors where additional emission reduction strategies should be applied, and incorporate these measures into their compliance plans.

**C. Please provide comments on the proposed changes to the data reporting templates. Do respondents have any additional template changes they would like to propose before a “third” revised annual report template is issued at the end of first quarter 2017?**

PG&E appreciates the efforts by the CPUC and ARB to provide more transparency in their annual reporting template. PG&E’s only recommendation is that the “Component Leaks and Emissions” tab be removed from both Transmission and Distribution M&R Stations, as these leaks are already accounted for in the “Station Leaks & Emissions” tab.

**III. COMMENTS ON COMMISSION STAFF PROPOSAL ON BEST PRACTICES**

**A. Based on available information, are the January 2017 proposed Commission SED Staff revised Best Practices reasonable? (Attachment 2) Why or why not? What revisions are appropriate to ensure they fulfill SB 1371 goals?**

PG&E would like to thank Commission staff and all parties for their work to refine the Best Practices (“BP”). PG&E is generally supportive of the BPs, which will make meaningful

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<sup>3/</sup> *Id.* at p. 27

methane emission reductions and provide flexibility for operators to choose the best portfolio of measures. Below, PG&E offers comments on BPs 21 and 15, on which staff offer additional recommendations.

For BP 21 (“Find It Fix It Policy”: Leak Repair Timeline and Backlogs), Commission staff recommends that all leaks, regardless of grade, be repaired within a maximum of three years of discovery and that utilities eliminate their backlog of all leaks.<sup>4/</sup> As outlined below PG&E is unsure if a requirement to repair all Grade 3 leaks within a given timeframe is appropriate, and recommends the Commission permit an alternative approach. For example, PG&E is developing a pilot project aimed at identifying and mitigating super emitters, and believes that repairing these leaks will provide substantial emissions reductions at a much lower cost to customers than simply repairing all leaks. If this pilot is successful, it may prove to be more cost effective than simply repairing all Grade 3 leaks and therefore PG&E recommends that this requirement be considered for exemption if other emission reduction strategies are presented.

For BP 15 (Gas Distribution Leak Surveys), staff encouraged additional review prior to requiring this BP for Class A utilities. While PG&E continues to be supportive of moving from a 5 year to a 3 year leak survey, it does not have an issue with BP 15 as written. Instead these comments are focused on Staff’s recommendation that, if the Commission does decide to transition to a more frequent leak survey cycle, it consider focusing on distribution mains and high pressure distribution lines.<sup>5/</sup> The logic for that recommendation appears to be that, by limiting the survey to higher pressure lines, operators would reduce cost by surveying less and finding higher volume leaks. While perhaps counterintuitive, PG&E believes this could actually reduce efficiency, as explained below.

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<sup>4/</sup> Ruling at Attachment 2 (Commission Staff Proposal on Best Practices), at p. 26.

<sup>5/</sup> *Id.* at p. 11.

The speed of leak repair is a combination of how quickly PG&E crews find leaks and how quickly they repair leaks. PG&E structures its leak management work to gain efficiencies by regionally mobilizing its survey and repair personnel. In most areas, there will be both higher pressure lines *and* lower pressure lines in close proximity. Prioritizing the survey of the higher pressure distribution lines would overlook efficiencies of mobilizing regionally, gathering leak data for lower pressure lines, and repairing these leaks. PG&E recommends that these surveys be prioritized and driven by risk and leak data, rather than pressures.

**B. Are SED “Staff Recommendations” including “Implementation of Compliance Plans” and “Evaluation of Best Practices and R&D/Pilots” reasonable? Why or why not? Other considerations or suggestions that haven’t been previously discussed or proposed in previous comments?**

Overall, PG&E supports Commission staff’s recommendation on both the implementation of SB 1371 Compliance Plans and evaluation of the best practices, research and development (“R&D”), and pilots.<sup>6/</sup> Staff recommend that, starting in 2018, utilities would prepare and incorporate biennial SB 1371 Compliance Plans as a new component in their Gas Safety Plans;<sup>7/</sup> this would include a clear demonstration of emission reductions, and a detailed evaluation of best practices, R&D and pilots. Additionally, parties would resume the working group process to further develop this framework in advance of utilities’ first round of compliance plans. PG&E supports these recommendations, as described below. Taken together, this framework and the BPs would balance the need for meaningful methane emission reductions with operational and technical feasibility and customer affordability.

Through an extensive stakeholder process, Commission staff has assembled a far-reaching set of BPs. These BPs affect virtually every aspect of PG&E’s and other utilities’ natural gas systems and would squarely meet the intent of SB 1371. At the same time, staff proposes giving operators needed flexibility to develop the most effective portfolio of measures.

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<sup>6/</sup> *Id.* at pp. 11-12.

<sup>7/</sup> *Id.* at p. 11.

This is both prudent, as utilities, with input from parties, will be permitted to determine and propose the set of least-cost, greatest-reduction measures, and also very practical, as many of the BPs will take significant work to operationalize and others need additional R&D or piloting before they can be scaled. Thus, the recommendations balance the need for aggressive *and* achievable reductions with customer affordability, and operational and technical feasibility.

Similarly, staff has developed a compliance framework that balances various competing considerations. Staff has recommended and PG&E supports establishing a working group process to further develop and refine the framework for SB 1371 Compliance Plans. This will allow parties opportunity for meaningful input and give utilities needed direction in development of this first iteration without further delaying the conclusion of Phase 1. In addition, PG&E recommends that the Phase 1 Decision instruct this working group to convene within 30 days of the Final Decisions to develop a scope and schedule for the working group. The working group should finalize all templates and methodologies for the SB 1371 Compliance Plans no later than 6 months before they are due so that parties have a reasonable opportunity to develop their respective Plans consistent with the working group guidance.

#### **IV. CONCLUSION**

PG&E appreciates the opportunity to provide these opening comments in response to the Ruling.

Respectfully Submitted,

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